Vol. 25. No. 4

THE OUTLOOK

December 27, 1919

The Edge Bill—General Money and Credit Situation—Business Continues Active—Position of the Coppers—The Market Prospect

DURING the past fortnight both bonds and stocks have fluctuated moderately at a low level, with a decided decrease in activity. There can be little argument about the level really being low in the case of bonds, railroad stocks and coppers, and most of the industrials look low, at any rate, compared with recent high prices.

Wall Street markets appear to have been pretty thoroughly liquidated. Stock Exchange loans are probably not more than 70 per cent. of their recent high records, although of course it is never possible to get exact figures.

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EFFECT OF THE EDGE BILL

THE Edge Bill will doubtless be a law by the time this issue is in the hands of its readers. We believe its effects will be important.

It is quite true that neither the Edge Bill nor any other legislation can create new capital, which is today the world's greatest need. During and since our participation in the war we have constantly been trying to add to the supply of capital by creating more bank credits—a project that is exactly equivalent to lifting yourself by your bootstraps. Bank credits can temporarily facilitate the handling of an unusual volume of business, and for that reason they were essential in the war; but they cannot create material or perform labor, and therefore cannot add to our real supplies of capital.

But the Edge Bill furnishes satisfactory machinery for attracting investment capital into the financing of exports, through the sale of debentures which have been passed upon and approved by the Federal Reserve Board. American investors are now shy of foreign securities because they have no satisfactory way of assuring themselves as to the soundness of such investments. With the English pound sterling selling for about three-quarters of its normal value, they can hardly be blamed. If the decline continues, to speak of a man's "sterling worth" may become a doubtful compliment.

With the approval of the Federal Board, after an adequate investigation, and the additional backing of one of the corporations to be formed under the Edge Bill, debentures representing foreign loans should form very attractive investments.

The War Finance Corporation also has authority to issue securities similar to the Edge Bill debentures, to an amount of $1,000,000,000. No explanation has been given as to why no effort has been made in this direction, except the general one that the Government believes it should retire, so

The seeds of bull markets are sown in panics and the real beginning of a panic may often be found in a boom.

In the midst of all the recent liquidation, short selling, income tax selling, bear rumors and money pressure, we find large operators quietly picking up quantities of stocks.

Many indications point to a resumption of the bull market.

far as possible from the field of financing now that the war is over.

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THE CREDIT SITUATION

MANY are assuming that the possibilities of further credit expansion under the Federal Reserve Law are now very slight. This is not strictly correct. The per cent. of reserves to combined deposit and note liabilities is now about 46.8 per cent. The legal minimum is about 37½ per cent. This shows that if the reserve ratio were permitted to fall to the legal minimum, combined deposit and note liabilities would be expanded 25 per cent. above their present amounts, which would equal nearly a billion and a half dollars.

The objection to such an expansion is that it would certainly result in still higher prices and a higher cost of living. That would be adding further disturbance to an already very much disturbed price and labor situation. The Federal Board has taken an attitude of firm opposition to any further extension of credit on Government war paper, but so far it has not gone on record as opposed to further commercial credits and additional expansion in that direction is highly probable.

National Banks may subscribe to the capital stock of Edge Bill corporations up to 5 per cent. of their own capital and surplus. This would increase the "loans and investments" accounts of the banks, and would therefore increase the reserve requirement for each bank. In that way some expansion of credit would result, but not nearly so much as would be the case if the obligations thus resulting were to be discounted at the Federal Banks and so transmuted into circulating currency.

We look for a further expansion of business credits, in spite of the numerous objections which may be raised against it from both the theoretical and practical standpoints. Six per cent. money for business is regarded by most people as a sort of ideal which is to be attained through the Federal Banks. The Board will probably hesitate to mark up discount rates to a point which would send ordinary commercial paper above the 6 per cent. limit; and that rate will not, in our opinion, seriously check the expansion of business credits.

The last Federal Bank statement shows a big decrease in loans on Government paper, due to retirement of tax certificates. Heretofore such decreases have proved temporary. It is to be hoped that the present one may be more permanent. Nothing is more important, as has several times been shown in this department, than to get this Government paper out of the banks.

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BUSINESS PROSPECTS

A SPECIAL article in this issue treats of general prospects for the coming year. Briefly, the outlook is for continued good business. Washington is at last making some legislative progress. The Edge Bill has passed Congress; the Cummins and Esch railroad bills have gone into conference; peace with Germany, already a fact, is likely to be officially declared in some way soon; and arrangements are planned to accept notes in payment for the interest due us on Government loans to Europe.

The labor situation shows improvement. The steel industry is back to pre-strike production and coal production is again approaching normal. The New York printers' strike is over, though printing conditions are still more or less disturbed. Other strikes are noticeably fewer than they were a few months ago.

The steel industry seems assured of good business for some time to come. Copper exports wait on foreign financing, which we believe will be forthcoming in sufficient amounts for that purpose. It is calculated that normal freight movement in 1920 will require about 200,000 more freight cars than the roads now have available.

Demand for all sorts of consumptive goods continues in excess of supply. Even if our exports fall off somewhat, as may very likely be the case, it will take some time to catch up with domestic demands.

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POSITION OF THE COPPERS

PRODUCTION of copper in this country in 1914 was about 1,150,000,000 pounds. It increased to 1,910,000,000 in 1918. Refining capacity increased from 1,778,000,000 pounds in 1914 to 2,794,000,000 pounds in 1918, or 57 per cent. Stocks of the metal at the beginning of 1915 were only about 376,000,000 pounds, while early in 1919 they were estimated at 1,500,000,000 pounds. While it is believed that stocks have been reduced somewhat since then, authoritative figures are not obtainable.

The world's normal consumption of copper has just about doubled each decade since 1890. On that basis the demand for 1920 should be at least 1,500,000,000 pounds. There will be a big European demand for copper as soon as payment can be financed on credit, and the copper producers in this country are closely connected with the largest banking interests, so that they are in an exceptionally good position to arrange for sales on credit. For the same reason, the producing and refining interests are well situated to carry considerable stocks without serious inconvenience.

Big electrical expansion in this country awaits only the availability of capital for the purpose. Our normal annual accumulation of capital is now very large, and while domestic development may be held in check for a time by the necessity of granting credits to Europe, there can be no question that it will later be resumed at the customary rate or even faster.

The average of copper stock prices is now near its lowest level of February and March, 1919, and the autumn of 1914. At 18½ cents, the price of copper metal is now up about 35 per cent. from June, 1914, while commodity prices in general are up nearly 135 per cent. Copper is the cheapest commodity except gold. This relative cheapness will certainly lead to increased use of copper.

Evidently this is no time to take a bearish position on the coppers, and accumulation of these issues by good judges of the market is plainly in evidence.

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THE MARKET PROSPECT

FOREIGN exchange has rallied somewhat from its low point and it is hoped that no lower rates may follow. At the same time there seems to be no prospect of any great advance for the present. The depreciation of European money is of course an important reason for the discount on exchange. However, to the extent that Europe can buy goods from us on credit, even the present exchange discount will not prohibit such purchases.

Wonderful bargains in long-term bonds and good preferred stocks are now available. Investors for income should not fail to take advantage of them.

Railroad stocks have been depressed to a point which is probably near the limit. Whatever the outcome of pending legislation, railroad securities could scarcely be worth less than current figures, and the eventual result will probably be a stabilization of their value which will cause them to sell on a much lower yield basis, or in other words at higher prices.

The severe liquidation of the industrial section of the market forced by reduction of loans has brought many of these issues below their intrinsic value. Most of the various groups are in a bullish position. If the Supreme Court hands down a favorable decision on stock dividends, as most authorities expect, a great deal of melon-cutting may be anticipated. Under such conditions a decided increase in speculative activity would follow.

We look for a decidedly better market after Jan. 1, with easier money conditions and a much more optimistic feeling among the rank and file of investors.

Tuesday, December 23, 1919.

Looking Into 1920

Our Present Position in the Minor Cycle—New Influences Affecting Money Rates—Progress of the Steel and Copper Industries—Summary of Outlook for 1920

By G. C. SELDEN

ARTICLE II.

EVEN assuming that the conclusion arrived at in the last article—namely, that generally prosperous conditions are to be expected for the next five years or so—that does not mean that full trade activity will be continuous. It never is continuous. Periods of greater activity and smaller activity succeed each other within a few years. In some cases the falling off of activity amounts to what is called a depression, but if general conditions favor prosperity, such a depression is short-lived.

These frequent swings in stock prices and in business activity give rise to the "minor cycle," so-called to distinguish it from the major cycle discussed in the previous article. The low points of these successive minor cycles are usually three or four years apart, and the upward swing is usually about twice as long—in point of time—as the downward swing. The building up process takes longer than the falling down process.

Although there is a rough regularity in the time covered by the minor cycles, there is no regularity in the extent of the movements, whether we measure those movements by prices or by quantities of goods produced. Taking stocks as an example, an average of 20 railway stocks rose over 52 points in less than two years from 1907 to 1909, but less than 20 points in just about the same length of time from 1910 to 1912.

The degree of change in prices or in business activity depends on conditions, which of course are never the same, but the length of time required for an entire minor cycle varies much less than would naturally be expected. Nevertheless, when conditions are exceptionally favorable the upward swing may last three years—as from 1903 to 1906—or the downward swing may last two years—as 1912 to 1914.

It is natural that the varying conditions of the time should be generally accepted by most people as the complete explanation of these minor periods of activity and depression. But it seems clear to me, at least, that there is also in operation a sort of law of action and reaction, of building up and falling down, of over-expansion and recovery from the over-expansion.

Our Present Position

The large graph entitled "The Trend in Money, Prices and Production," which is a regular monthly feature of this publication, is in this case used in connection with this article, as it gives a good bird's eye view of the situation.

Taking first the position of the stock market, we use 25 industrial stocks because they have, during the last few years, been the most important part of

G. C. SELDEN

the market, and also because they should reflect trade conditions more directly. The upward movement in stocks started in December, 1917, and the highest point—so far, at any rate—was made early in November, 1919. This would represent a bull market lasting about 22½ months, or somewhat shorter than the average length of a bull market in the past.

It is to be noted also that the upward progress of stock prices during 1918 was very slow and halting—and even more so, of course, for the rails, which are not shown here. In this respect there is a very noticeable difference between the start of this bull market and of those which began in 1900, 1907 and 1915.

The market which followed the "undigested securities" panic of 1903 made a slow start during 1904, somewhat similar to the 1918 market but better maintained, that is, having fewer sharp reactions; and it is interesting, though by no means conclusive, to note that the bull movement of 1904 and 1905 could not properly be said to have fully culminated until the end of 1906. The top notch of prices was touched in January, 1906, and was followed by an extensive reaction, but almost all of the lost ground was recovered by the end of the year. There is a striking similarity here to the big November reaction of 1919, but we must be careful not to place too much weight on these minor correspondences, since the general law of action and reaction is constantly modified by current conditions.

Progress of Business Cycle

I remarked in the preceding article that our real object must be not to measure the cycle by months or years, but to trace the progress of the forces which create the cycle. That is even more necessary than usual just at present, because of the confused conditions left in the wake of the war.

For instance, we find time money at New York now commanding 7½ to 8 per cent. against 5¾ to 6 per cent. for commercial paper—a condition of affairs which has not occurred before for many years, and probably never if we except the erratic fluctuations of money rates in times of panic. This condition is due to discrimination by the banks against loans for stock speculation. This discrimination is justifiable and indeed necessary under the special conditions now existing. The only criticism to be made is that the same discrimination should be extended to cover all forms of speculation—in foodstuffs, cotton and wool, land, oil, metals, etc. So far the banks have not found it possible to do that. The stock market, now as often before in other ways, has been made "the goat."

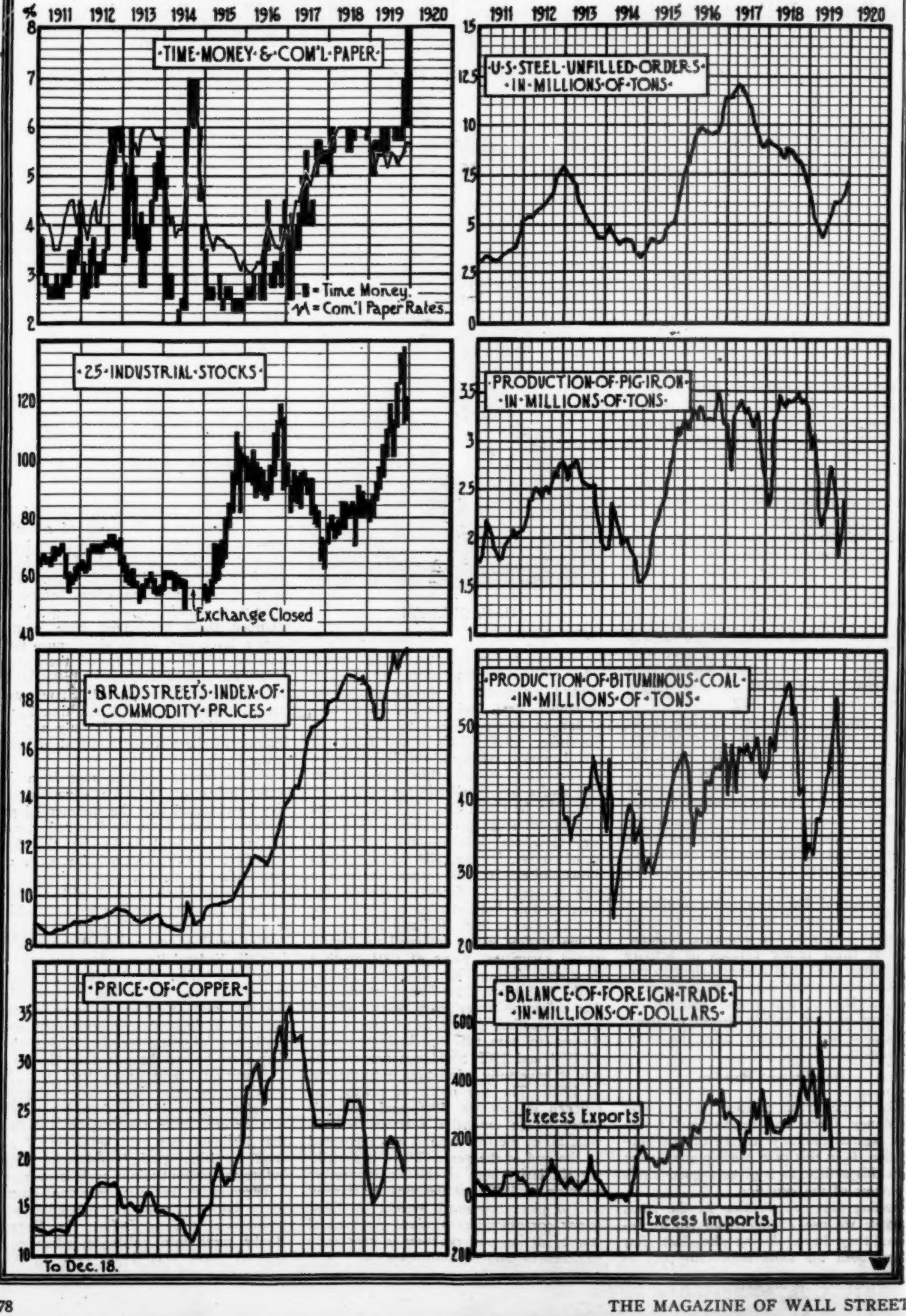
Under these conditions time money loses a large part of its significance as a measure of the progress of the minor cycle. At present not over $1,500,000,000 is being loaned on Stock Exchange collateral, including both call and time loans. Large as this sum is, it is only a small fraction of the tremendous total of loans in the U. S.

The commercial paper rate is a far better index of the true situation. It may be objected that the commercial paper rate is kept down by free rediscounting by the Federal Banks; but this does not affect its value as an index, since rediscounting is now a settled feature of our banking methods and will continue to have an effect similar to that which it is having now. We must take conditions as they are, not as they were before the Federal Reserve law was passed.

On the other hand, the commercial paper rate necessarily has a connection with the rate of return on invested capital. At a time when interest rates generally are fully one per cent. higher than they were before the war (see "Index of Corporation Credit," page 109, Dec. 13th issue), 6 per cent. for commercial paper is *relatively* no higher than 5 per cent. was before. For this reason I believe that business men will be paying 7 per cent. on high grade commercial paper before the present minor cycle is over.

There is another very important change to be borne in mind in connection with commercial paper. Before the Federal Banks came into existence, when commercial paper was 6 per cent. in New

THE TREND IN MONEY, PRICES AND PRODUCTION



York it was higher in the interior cities—7 per cent., perhaps, in Kansas City and 8 per cent. in San Antonio. Now that easy rediscounting facilities have been provided, no such wide differences in rates will exist. The result is that a 6 per cent. rate in New York will mean lower rates throughout the country than the same rate represented before the war, and to reach the same average for the entire country the New York rate would have to be higher than formerly.

I see no reason to think that present money rates will check business expansion. People have become accustomed to higher interest rates, just as they are accustomed to all other kinds of prices being higher.

Progress of Constructive Industry

It has always been the case in this country that what we call "prosperity" has been coincident with large new construction, while in periods of depression new construction has been much smaller. The best indices of the progress of constructive industry are found in the steel and copper trades.

The position of the steel industry is indicated by U. S. Steel's unfilled orders, which heretofore have roughly followed the swings of the stock market after an interval of three to six months. The production of pig iron naturally coincides with the activity of the steel companies in a broad way, and the same is true of the price of copper. All three of these factors are shown on the graph, as well as the production of bituminous coal, which reflects a still wider range of industrial activity.

It will be seen that the low points of all these lines on the graph, instead of coming a few months after the low point of stocks in 1917, were postponed until about May, 1919. Apparently, instead of dating their genuine revival from the low stock prices of 1917, these industries were held back by war and post-war conditions, and finally dated the beginning of their "peace prosperity" from the initiation of the bull swing in stocks at the beginning of 1919. It looks very much as though the whole year 1918 should be reckoned as the "bottom" of the stock market minor cycle, rather than December, 1917, when the lowest prices were actually made.

Looking at the progress made so far by the price of copper, U. S. Steel's unfilled orders, production of pig iron, and production of coal, it is clear that all four of them have still a long way to go if they are to reach, in the present minor cycle, anything like the relative heights of past cycles. The price of copper and Steel's orders should not, probably, be expected to touch the record points of war inflation; yet in view of the higher level of all other prices and the great natural growth of our industries, a further rise would certainly seem warranted.

In point of time, the rise in these lines has so far lasted less than eight months. Normally, it should continue through 1920. It might, of course, be shortened by scarcity of capital, but at the very least expansion should continue throughout the first half of 1920. A very rapid advance would not be likely to last as long as a more gradual rise.

As for direct consumptive requirements, there is so far little or no sign of any accumulation of stocks of unsold goods. On the contrary, the difficulty in almost all lines is to get the goods to fill orders, and it seems highly probable that demand will continue relatively good throughout 1920.

Summary

Summarizing the situation, there is so far no trustworthy indication that the bull stock market has culminated. Probabilities favor a return of the general average of prices to near the previous high mark, at any rate, and perhaps somewhat higher.

There is at present no indication of approaching business liquidation. On the contrary, we may feel pretty confident of some degree of expansion, at any rate, during the first half of 1920, and probably throughout the whole year.

The relative improvement should be greatest in the steel, copper, and other constructive industries, since they have so far made the least progress. Direct consumptive demand should continue good, with perhaps no marked expansion from its present level.

I believe that export trade will continue good through 1920, though not equal to the 1918 high records. Difficult though the problem of granting foreign credits unquestionably is, ways will probably be found to surmount the difficulties, at least in part. The Edge Bill is a good start and will bear fruit. Arrangement of direct long-term credits by the sellers of the goods will continue. The War Finance Corporation has power to aid in the granting of foreign credits and it is expected that this power will be made use of after the peace treaty is signed.

In some quarters acute pessimism now prevails. When the fundamental reason for this feeling is arrived at, it is usually found to be that the abnormal activity and high prices of the war must be followed by equally abnormal depression and low prices. This is true, within limits—but those limits are very elastic. The Civil War ended in 1865, and business continued good until 1872. From 1873 on we had a prolonged and severe depression. And the decline in prices, if it comes, will be very slow. So far, it hasn't even made a start. I am very much inclined to believe that what has been will be, in the matter of the minor cycle.

The New York Clearing House

In the last issue of The Magazine of Wall Street was published an account of "How the Public's Money Comes Back to It." This building on Cedar Street, one of the architectural monuments of the financial district, houses activities which play an important part in shortening the journey which your money takes.

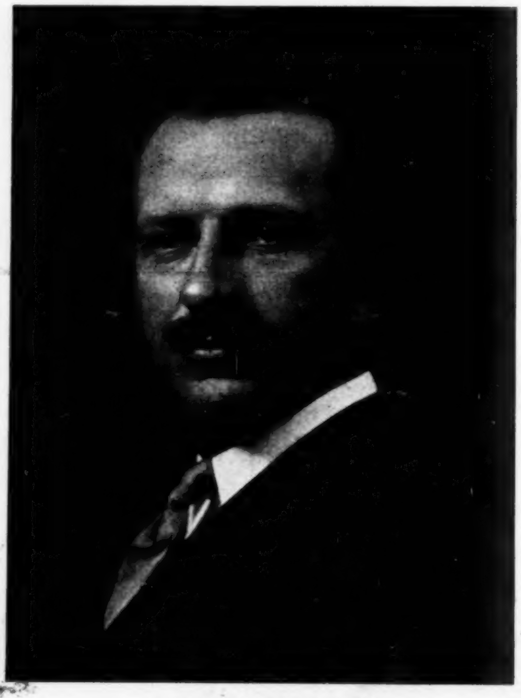
Charles H. Sabin on Service in Banking

He Attacked Opportunity With a Base Ball Bat—His Record As a Business Getter—What He Means By Team-Work—The Human Element.

Interviewed by FRANCIS J. OPPENHEIMER

FATE comes in many forms, and he who detects Opportunity under her various disguises, is the one most likely soonest to win a smile from Dame Fortune. All this by way of saying that 'twas a lucky day in the life of Charles H. Sabin, now president of the Guaranty Trust Co., when, less than thirty years ago, he was asked to join the town ball team, for, through his ability to "bat 'em out," he was eventually to become helmsman of the largest financial institution of its kind in the world.

It came about in this fashion: A local Bank Clerk Ball Team in Albany, where Sabin was then living, was a bit fed up with the systematic trimming handed it by every other nine. Young Charley just naturally came under suspicion of the captain, who was looking for new material. Everybody 'round the ball lots knew he pitched a good fast ball. The only way, however, to work Charley on to the team was to work him in to some bank. They had to have the pitcher, so the ball player got a bank job. And from thence on, for the next few years, Charley spent his time in between Saturday afternoon games running up and down columns of figures.



CHARLES H. SABIN

He seemed to take to the new man's game like a duck to water, for before two years had passed in the National Commercial, he was offered the post of cashier with a rival institution, the City National, and in this new position of responsibility he demonstrated amazing aptitude, soon doubling the bank's deposits. When, a few years later, these two banks consolidated, not only was Charley retained, but moved up to the post of general manager. Five years went by, before he listened to the call of the wild. A group of younger bankers, among whom were H. P. Davison and John D. Ryan, were starting another new bank in New York—and this in a panic year! Young Sabin was invited to come down and watch over the destinies of The National Copper Bank. Burning his comfortable little Albany bridges behind him, a country boy's hope of metropolitan success stirring him on, he took the chance, and, within a couple of years, he had rolled up deposits of over $30,000,000, an unparalleled record of its kind.

Those were the ambitious bank merger days. When the National Copper combined with the Mechanics National under the name of Mechanics and Metals National Bank, the Albany lad was made Vice-President with powers equal to the President. It was in 1910, however, that he made the sacrifice hit that landed him a Vice-Presidency with the Guaranty Trust Co., and after playing a star game at 140 Broadway for five years, he became President in 1915. When Sabin took up the reins of the Guaranty, its deposits were about $214,000,000, with total resources of less than $270,000,000. To-day its deposits are more than $700,000,000, and its resources over $900,000,000! Surely this is a home run record of which any ex-ball player might be proud.

New Banking Methods

Proof also it was that the new arrival in New York had arrived in Wall Street. Indication, also, that new methods were being played in the old banking game. More than this, it was another illustration that a new brood of financial giants (brought to the front by the World War and our own rapidly shifting industrial conditions) had come to supplant the iron, copper, steel, coke and all the other kings of the last generation.

Yes, that old race of industrial magnates has passed and leadership been transferred from these "strong" men, so-called, to a group of forward-looking young men, notable among whom is Charles H. Sabin.

The day is past when you can get a reputation on the Street simply by being silent, or because nobody can get into your office. This by way of indicating that if Mr. Sabin has any idiosyncrasy as a financier, it is to be found in the fact that he is continually harping on the possibilities of broadening popular understanding of economic questions through the medium of frank advertising. How different from the old breed of stock manipulators, and wire pullers, who feared printer's ink as if it were a poison!

Sabin, too, like the rest of these young chiefs now in the saddle, has an *aim* as well as an object, viz., to make his concern the greatest service institution in the world.

"The great product of a banking institution is service," Mr. Sabin told me, "not service of one class or community or country, but service of all classes, in every community, in every country. A moment's thought will disclose how complete, how extensive, service must be under such circumstances and, remembering that, in the final analysis, service is a matter of individual application within a bank to a multiture of transactions for individuals outside the bank, you can understand how exacting the business is of bringing an organization into cooperation with your customers."

An expression of curiosity as to what methods he employed to achieve such unexampled results brought: "The fundamental thing in bank management is so to select your administrative officers and so to establish their relations with other employees that without loss of dignity in either division of the staff there may be created an atmosphere of mutual respect and appreciation. The moment employees are convinced that advancement depends upon ability and accomplishment, and not upon favor or influence, then and only then has a foundation been laid for an effective and enduring institution."

You feel this spirit as soon as you enter the Guaranty Trust Co. Everything is electric here; I'm speaking of the atmosphere. And every one seems as engrossed with his or her work as if it were some exciting game. Nor is there any sign of weariness, though buoyant activities are felt everywhere.

It should be mentioned that since Mr. Sabin has "arrived," he's evolved a sort of work-and-play theory which is more or less known throughout his institutions, and which explains much recorded in the last paragraph. It's simple enough, too, and founded on common sense, its object being to keep personal efficiency at top-

notch. Here it is in a sentence. "Work hard enough to enjoy play and play hard enough to enjoy work." Work as work is nothing in Sabin's eyes. Only good work counts, nor does he think just the accumulation of money spells success. He says that he has seen too many bare lives, lives in which only the making of money mattered. Nor does he tell young men that if they want to succeed they have simply got to turn their backs on the clock. Other talents than drudgery are needed, according to this modern banker.

"Team work" is an expression frequently on his lips. "It makes no difference how brilliant a ball player or a worker may be" (note which gets precedence), "if he is not a team worker, if you cannot depend upon him to throw the ball," etc. One of the devices employed by this expansionist to secure more team work among the employees and greater service for those using the Guaranty, is a generous profit-sharing plan, which operates as a sort of labor dividend for all salaried employees, and which is far in advance of most schemes of its kind. In regard to it, he comments, "It is nothing more than justice as we now in this enlightened age have come to see justice."

This new type financier has as different an attitude toward Labor and Capital from that held by the older generation of money kings, as he has toward the press and the stock market. "Enlightened industry," he told me, "had its birth with the realization on the part of the employer that there was a vast difference between his raw material and machinery, and the men and women who worked under his direction. That difference was hardly apparent to those capitalists whose enterprise inaugurated our industrial era, any more than it was to the individual farmer or weaver in the period which preceded. The one toiled with dumb animals and the earth as he found it; the other with cotton or wool and a tireless loom, and neither spared himself any more than he did them.

"Down almost to our own time that kind of fusion of the human element with the material in the mind and calculations of the industrial manager has persisted, but the light has now broken and everywhere we see efforts being made toward that broader understanding of industrial relationships in which true progress lies. Having seen that there is a difference between human beings and machinery, the employer immediately finds himself confronted by the fact that there is a lack of uniformity in men and women which makes it exceedingly difficult to deal with them in large numbers.

Executive Success

"At first glance, you might think the task of organization was easier for an executive of a financial institution, presupposing, as it does, an aggregation of men and women of more than ordinary intelligence and training. The very reverse is the fact, however, for here you are dealing with a professional class that will not be contented merely with good wages, the best of working conditions, and those material benefits which every bank these days makes a point of providing. They must be given the assurance, speaking out of every turn of the bank's affairs, that no door to preferment is closed, that always special talents will be recognized, that under no circumstances will any man or woman be permanently classified and limited as to activities or hopes without a fair trial."

Fine, brave words, all these, and not just given out for publication. Eminently a man of action, he believes that words are only good when backed up by deeds. This he proves by letting his own office latch string out to any and every one with a legitimate errand, be he a junior clerk or a senior vice-president.

Mr. Sabin made it clear to me that his aim as a financier was to give service. He also has a hobby. It is informative publicity. Not only does the Guaranty Trust Co. get out an ambitious house organ, but it also issues reprints on a variety of subjects allied to banking, and good stuff it is, too. To scan the subjects listed in their catalogue of pamphlets, "Topics of Current Interest,' is like looking over some publisher's Fall announcements, for they range ambitiously from *Trading With China* to *The Fabric of Civilization.*

I have not stressed Mr. Sabin's boyhood and youth, because it comes first in point of time only. It differs in no respect from that of any other farmer's son. But a few facts have become public property and these are colorless enough. He was born in Williamstown, Mass., in 1868, but to the world five years ago, when he took up the reins of the largest financial institution of its kind. After some schooling in the Greylock Institute, he drifted across the Massachusetts State line into Albany, where he kicked around in a couple of nondescript jobs, one being in a country store, the other with a miller. Then Opportunity broke down his humble door with a baseball bat, and good fortune has been chasing him round the bases of achievement ever since.

And if the facts of his early life are not embroidered with anecdote, neither is there anything eccentric in his appearance nor his manner upon which a fond biographer could elaborate. He is a fast walker and hard to keep up with in a crowd. He sports a good appetite, and the rugged constitution inherited from his farming days is kept fit by plenty of outdoor exercise. Be it known that Mr. Sabin is a professional week-ender. He must hav his golf and polo from Fridays to Saturdays in season, as any one who has ever tried to find him in his office during the Summer knows. Yes, he likes his game, and he likes his club, or rather clubs, for he belongs to about a dozen. Not that he is an afternoon man, which you might suspect from the difficulty experienced in finding him in his office. But when you're a director in fifty or more corporations, life becomes, more or less, just one blessed meeting after another.

Discussing the problems of the new year, Mr. Sabin recently said:

"The new year presents some of the biggest and most vital problems that have ever confronted the American people and the world generally. Nineteen-hundred-and-twenty promises to be a crucial period in many vastly important respects. It will witness the crisis in the transitional period from war to peace, and the future will be contingent largely upon the developments and the manner in which they are met during the next twelve months.

"The European situation, of course, constitutes the great overshadowing problem. Europe must become stabilized, politically and economically, as well as productively, before there can be true peace and safety through the world. And if America would preserve its prosperity it must actively participate in establishing those essential conditions.

"Credit, not indiscriminately but wisely granted to warstricken countries, in order to enable them to acquire food, fuel, and raw materials, is the paramount need of the occasion and the hour. And this should be the concern of every business man, manufacturer, laborer, and farmer, as well as financier and exporter, in the United States, because, directly or indirectly, they will be affected by the success or failure of Europe to revive its industry, correct its finances, and stabilize its exchange—all of which are dependent to a very considerable extent on the credit we extend to Europe, either through loans or the purchase of foreign securities. Will America awake to its responsibility and opportunity, or continue to procrastinate and thereby jeopardize its own best interest and world rehabilitation? The answer must be forthcoming in 1920.

Proposes Creation of International Credit

Max Warburg, German Banker, Suggests Gigantic Financial "Pool"

"Since time is precious, there should be created an international loan whereby debts which have been made and debts which are likely to be incurred can be regulated," said Max Warburg, German banker, recently. "Such an international loan ought to be free from taxation in all countries and at a parity in all currencies. It would have to be secured by having its interests take precedence in all countries over all other expenditures.

"I could imagine that the loan would be the key for exchanging those which, during the war, were made from one country to another, including the debts which the warring countries owe to neutrals. After the conclusion of such a transaction there would be no foreign holdings of war loans, while each country would have to take care of the war loans within that country.

"The second purpose of this international loan would be not only to do away with the old war loans and their obligations, but to purchase raw materials and food. The countries which sold these materials would have to take international loans to a certain amount in payment of the goods."

How I Handle My Own Funds

(Third Article)

By **RICHARD D. WYCKOFF**

THERE is an old adage, "It is easier to make money than to keep it." I not only aim to make money, but to keep it and make it grow. And the latter is often the biggest problem of all. It involves something like defensive trench warfare. There is your back line of solid investments, bought principally for income and whatever increase in principal may result. In front of these is your second line of defense against poverty and old age, consisting of securities bought for income and profit. Out in front is your line of speculative securities which you handle so as to gain further ground, without losing your hold on your second and third line of defenses.

In choosing the better grade of securities I give serious consideration to such especially advantageous issues as equipment notes. These are known as a "pawn broker's security" because they are generally issued to secure a purchase of locomotives and cars on which a payment of ten or twenty per cent. is generally made by a railroad company. The balance of the obligation is paid off in annual instalments covering ten, fifteen or twenty years. As the obligation is thus annually reduced, the security for the remaining equipment grows larger and larger each year, in proportion to the indebtedness, so that toward the end of the equipment trust period the amount of the security in the shape of rolling stock increases to many hundred per cent. of the amount remaining to be paid. Equipment trusts are therefore to be regarded as prime investment mediums.

In spite of the many difficulties surrounding the construction and development of American railroads, I believe there is scarcely an instance where equipment bonds were defaulted upon. Such issues are therefore well adapted to the final protection of one's investment stronghold.

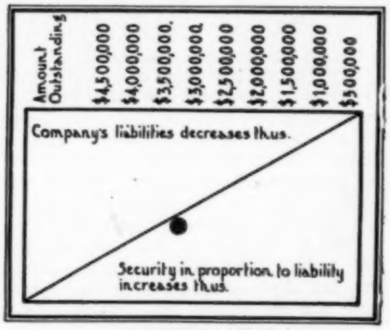
Another line of income-bearing securities which I frequently favor may be found in the numerous issues of short term notes, which are excellent mediums for funds that are being put aside for specific purposes, and which will be required on a definite date. I find that their yield is often more liberal than one would expect, considering the character of the companies issuing these notes and the yield of their other securities. Due to the vagaries of the investment market, I have often picked up bargains in notes, especially those which were convertible into other securities. But one must be very careful in the selection of these, as any question as to a company being able to meet its obligations will come to the surface as the time approaches for the maturity of its short term notes.

Such issues are not confined exclusively to notes. Take one type of security that is offering in the short term market at present: The Chicago, Burlington & Quincy joint 4 per cent. This is really a bond, but as its maturity date is July 1921, it may be considered a short term obligation. At a price of 94½ (December 18, 1919) the yield is about 8 per cent. Behind it are the joint and several guarantees of the Great Northern and Northern Pacific railway companies, to say nothing of the great financial resources of the Burlington road itself.

When it comes to safe bond investments, I generally favor properties whose promise to pay is absolutely sound, but whose security is beyond question, and if possible I like, in addition, large equities such as treasury assets, as in the case of Union Pacific, oil lands and other subsidiaries as in the case of Southern Pacific, holdings in affiliated railroad systems, as in the Pennsylvania Railroad treasury, etc.

Choosing Issues That Will Grow

My object in making money in securities is to have more money to invest. When I make money in the market, I don't look upon it as a means of trading in a larger way, but I consider the income that money



EQUIPMENT TRUSTS

will produce—not only the immediate income, but what in addition might be yielded from the increase in the principal if the original money is properly invested.

Long ago, for the most part, I adopted Harriman's principle which was: "I am not interested in 10 per cent. I want something that will grow." And so, in selecting securities, I try in the main to pick out those which have not small but great possibilities.

There are various kinds of investors. Some want the highest grade bonds even though the income return is small. Others want preferred stocks which yield from 6½ to 8 per cent. and which, unlike bonds, never come due and pay their dividends indefinitely, if properly selected. Next come those investors who are willing to buy the best class of common stocks in an endeavor not only to secure dividends but to see their principal enhance in value, and are satisfied with a moderate profit.

With the majority of my available funds, I invest in a somewhat different way, realizing that the number of years in which a man may operate successfully are limited. I want to put as much money as I can into investment channels where it will grow rapidly so that I can put the increment to work again on the same basis.

Being close to the seat of operations in the financial district I see too many opportunities for profitable investment and increase in principal to allow any substantial amount of money to remain idle. While I always have a certain amount of money in high grade investments, I have not reached the age or the stage where I think more of income than of increase in principal value. As I grow older, no doubt the proportion of securities bought for income will increase, but at age 46, as the Insurance Companies say, I consider that in my particular case, it is too early for me to develop into a chronic coupon clipper.

High grade mediums and coupons are, however, the proper medium for the majority of those who read this article—emphatically for those who are not experts in distinguishing real investments and real opportunities. They should remain in the income-only stage, so far as most of their funds are concerned.

Buying High Grade Bonds

While there are seasons particularly advantageous for certain operations in the security market, and while these seasons may often seem a long time in coming, one has only to look up the record of the fluctuations in high grade bonds to know that once in a great while they are on the bargain counter. The present is one of those times, and I have not been blind to the fact. It is seldom, indeed, that one can secure the old line, railway bonds, safe beyond question, at such prices as are obtainable today, and with such a long term of years to maturity.

While it is always time to buy securities for income only, when they can be had at a rate satisfactory to the buyer, this appears to be a time of times, and unless another world cataclysm should occur, a duplicate of this situation may not be seen for another ten or twenty years.

In former years the railroads were about the only mediums for safe bond investments; but we today have a large variety of industrial and other kinds of mortgages which afford equal if not greater safety, and in many cases a larger net return.

These are times when a man is justified in loading up with these high grade securities, that is, buying twice as many as he wants to keep permanently. This he can readily do by purchasing and paying for only half of the quantity he buys, carrying the securities in his bank, and gradually paying off the balance out of income. It matters not whether this income arises from these investments or

from his business or other outside sources. Any bank with which you have dealt will be glad to extend this accommodation; in fact, it will increase the bank's respect for your judgment.

The present time (December, 1919) affords a rare opportunity. Such an operation should yield not only a substantial profit on the extra quantity which you now purchase, but this profit applied to the reduction of the cost of the balance of the bonds which you now acquire will so enhance the net income from the entire operation that the opportunity should by no means be overlooked.

Never before have high grade bonds, legal for saving banks in New York State, sold so low as late in 1919. A glance over the list shows that many leading issues are selling at from ten to twenty-five points below their high figures of two years ago. Take old line investments like Union Pacific 1st 4s, having twenty-seven years to run, netting about 5.25%; Southern Pacific Ref. 4s of 1955, netting 5.45%. Norfolk & Western Consolidated 4s, 1996, 5.23%; Louisville & Nashville Gold 5s of 1937, 5.09%; Chicago & Northwestern General 3½s of 1987 netting 5.26%; Burlington General 4s of 1958, netting 5.43%. These are all bonds which will recover sharply in price as soon as the money situation definitely changes, and the limit of foreign government emissions has been seen.

The Union Pacific 4% bonds of 1947, selling at about 82, are around 18 points under their market price of two years ago, and one only has to await changed conditions to see a bond of this type rise to its natural level. If this should occur in three years, the average increase in value would be 6% per annum, which, added to the nearly 5% current return on the investment should mean an annual return of about 11%. If such an advance should occupy five years, the return would be 8%. These figures spell *opportunity*.

Bank Stocks Attractive

One field which has attracted me has been bank stocks, and the reasons are very clearly set forth in the series of articles on this subject now running in the MAGAZINE OF WALL STREET. In selecting securities of banks and other financial institutions, one is in the same position as the person who is driving an automobile. He has usually three speeds in his gear case. He can travel slowly on the first set of gears, or a little faster on the second set, or very fast on "high." The institution which does an old style banking business may be likened to the first set of gears. It makes progress within a certain radius, but when a bank takes on a trust department, or a close affiliation with a trust company, making the two parts of one institution, it may be regarded as traveling on second speed. But there is still another type of institution which includes both the above and embraces an additional function which in the financial district is a very advantageous one to the stockholder. I refer to a bank which owns or is affiliated with a "Security Company" for the purpose of underwriting and conducting syndicate and investment security operations, which are, of course, very profitable.

I have been buying stocks in a dozen or more New York financial institutions. I put these in the custody of a trust company, separate from any other securities, so that dividends, rights, and stock distributions would all be paid in to this one account and reinvested in the same class of securities. My observation has shown that to secure the greatest benefit from bank stock investments, one should not spend the income derived therefrom, nor sell his rights, nor sell any stock distributions that are given, because these in time generate other melons of the same sort, and this second generation gives birth to successive series of children and grandchildren, which eventually roll up a very substantial amount of both income and principal.

In placing these securities with the trust company for safekeeping and reinvestment, I told the trust officer of the institution that this account would be in debt most of the time, because I would buy ahead of the income and I would expect the trust company to loan whatever moneys were required for that purpose.

During the latter part of 1919 two of these opportunities developed: The Bankers Trust Co. directors recommended an increase in the capital stock from $15,000,000 to $20,000,000, the new stock to be offered to shareholders at a price of $100 per share. This is on the basis of one share of new stock for every three shares of old. Holding shares of Bankers Trust, which cost in the neighborhood of $485 per share, I am entitled to subscribe to new stock at $100, which brings the average cost down to about $389 per share.

> *Long ago, for the most part, I adopted Harriman's principle, which was: "I am not interested in ten per cent. I want something that will grow," and so, in selecting securities, I try in the main to pick out those which have not small, but great possibilities.—Richard D. Wyckoff.*

In time these new shares will be producing other stock dividends, rights, or cash dividends, so that eventually I may have a considerable amount of Bankers Trust Co. stock. By reinvestment of income in whatever form it is distributed, the cost of this Bankers Trust Co. stock will be reduced to a very low figure.

Another case of this kind has appeared in the form of a notice recently sent to stockholders of the Chase National Bank, which I purchased at about $675 per share. Stockholders are asked to vote on an increase in the capital stock of the bank from $10,000,000 to $15,000,000, with a proportionate increase in the shares of the Chase Securities Co., which is affiliated with the bank. Holders are to be allowed to subscribe to one new share of the Bank stock and one new share of the Securities Company, for each two old shares thereof held prior to December 26, 1919. The subscription price is $250 for one share of stock of the Bank and one share of stock of the Securities Co. I have no doubt that in time the value of all these shares, viz., the new, which I have bought, and the old which will sell ex-rights, will recover to the price which I paid for the old stock, which was $675 per share. This means that I have faith not only in these and the other banking institutions in which I have become a stockholder, but in the men behind them, and in the future of New York City as the world's banking center.

Banks Return Twelve Per Cent

Mr. De Villers, who is writing our series on bank stocks, estimates that the average return over a period of years, allowing for rights, melons, regular and extra cash distributions, etc., in the leading issues is something over 12% per annum. At this rate, my investment should double itself in a period of something between six and seven years, allowing for the reinvestment of all dividends of every sort in the same class of securities.

The small percentage of failures among banking institutions, now that they are under such rigid control by the Federal authorities, makes their securities adapted to the conservative investor who is looking toward income enhancement and safety. My own selection included a larger proportion of shares in those institutions which have security companies attached, because these combine two companies in one, and in all cases they are being conducted with highly profitable results to the shareholders.

This taking a sum of money and planting it in a certain field without drawing down the income, but with intent to profit by its growth, may be followed out to whatever degree the investor desires. It may be begun with one share of one bank stock, or any other kind of stock or bond. It is an investment operation, but it is undertaken for income and profit, not with the idea of deriving or withdrawing that profit, but to make it yield additional sums for investment. It is a great deal like a savings bank account for the man with a small amount of cash. I remember how, with a great deal of pride, I started my first savings account with a five dollar bill (because the bank would not open an account for less), and how much satisfaction I derived from being able to add a few more fives and tens.

The man or woman who is obliged to withdraw his or her interest or, in case of a rainy day, pull down part of the principal, will be handicapped in an operation of this sort, but the object should be to make these deficiencies up when the skies again clear and to keep expenses within bounds so that the additions made annually will rapidly increase the earning power of the principal.

Although the strike in the printing trades in New York City has ended, its effects have not disappeared. Thus it is that some obvious errors creep into publications. In the article by Mr. Wyckoff on "How I Handle My Own Funds," in the December 13th issue of THE MAGAZINE OF WALL STREET, the following corrections should be noted: On page 96, the second paragraph, tenth line, should read "50 to 60," instead of "5 to 6." On page 97, the first paragraph, eighth line, should read: "He did not realize that in a growing city the tendency is generally all one way, but in the stock market the tendency might change its course several times a year."

Trade Opportunities in South America

Language, Climate and Needs Must Be Carefully Studied—Importance of Advertising—Ludicrous Mistakes—How to Analyze the Situation

By **FREDERICK C. HARDING**
OF THE ANGLO-SOUTH AMERICAN BANK

THE American business man should not assume that American-made goods are not known abroad. As a matter of fact, for years they have been well and favorably received in all the markets of the world. This is especially true of the markets of South America, where the chief reason they have not received wider demand was because the American business men themselves made no concerted or definite effort to give to American-made goods and products wider distribution.

It is a question, too, of method. Because one merchant has successfully pursued a certain method in placing his goods before the people of another land, it does not follow that the same method would yield equal results for everyone. Hence each manufacturer or merchant should study the situation carefully, keeping the special needs of his own product always in mind.

Before any method can be determined upon it is necessary to analyze thoroughly the market it is intended to enter. For instance, there has been displayed a tendency on the part of some to regard South America in the light of one market. That is far from being the case. While fundamentally springing from a common racial stock, the intermixture of blood of natives, negro and Spanish has resulted in practically a new race of people.

Strange as it may seem, there are some who actually believe that Spanish is the common language of all the republics of South America. Nothing could be further from the truth. As a matter of fact, there are some persons who have forgotten that the language of Brazil is not Spanish. It is Portuguese, and while nine-tenths of the inhabitants of that republic probably speak and understand Spanish, and are able to read it, they resent any imputation they are of Spanish origin, and to address them in the language of that country, especially if the object is to sell a bill of goods, is to jeopardize the sale.

Herein probably lies the reason why Brazil in many cases has failed to respond as rapidly as many of the other Latin-American republics to overtures from business houses in the United States for their patronage. It is surprising how many manufacturers have flooded the business houses of Brazil with catalogs of their products artistically and expensively prepared and arranged and which ordinarily should, and probably would, have attracted considerable business but for the one oversight that they were printed in Spanish.

Many exporters have fallen into the error of thinking of South America as being all tropical simply because the equator crosses it in almost the exact middle. It is true that by far the larger portion of the South American continent lies in what is commonly called the tropical and sub-tropical zones. But in considering South America as a market, a business man cannot think of it in terms of zones alone, but must think of it in terms of altitude. A large portion of the richest territory in tropical South America, due to its location on the high Andean slopes and mountain regions, enjoys a year-round climate not unlike that found during Spring or Autumn in the northern portions of the United States and southern Canada. In countries such as Chile and Peru are to be found at all seasons of the year weather extremes.

THE HARBOR OF BUENOS AIRES

One of the busiest shipping centers of South America, the harbor of Buenos Aires is a good indicator of the industrial boom the Southern Republics are now enjoying

Climate Is Factor

The greater part of Argentina is, of course, not tropical. Lying in the south temperate zone, her climate is neither as warm in Summer nor as cold in Winter as that of the United States, except that the Winter in South Argentine territory is perhaps as cold as some of our Northern States. The southern half of Chile, extending in a long attenuated line to the Straits of Magellan and Cape Horn, is also located in the south temperate zone, and in sections has a heavy and almost continuous rainfall, in sharp contrast to the northern provinces, where it seldom rains. In rainfall, too, there is a great contrast between the southern territories of Argentina and those of the same latitude in Chile, the rainfall being much less in Argentina. As climate plays an important role in determining the character of goods and materials best adapted to the needs of a people, it should be definitely known before a sales campaign is undertaken.

It is a fact that markets are the motive force of industry. Without them industries would cease to function. As markets are first of all to be found in the minds of people, influenced by desire, stimulated by interest and created by demand, methods of making their commodities known will, of course, prove valuable to every business man carrying his product into the foreign field.

The foreign buyer and consumer is as susceptible to the psychology of the printed word as are buyers in the home market. Nowhere else in the world has the science and art of advertising been carried to such a superlative degree of advancement as in the United States. The same principles practiced in the foreign markets, the appeal made directly to the foreign buyers, their needs and requirements, would be productive of surprising results.

There are one or two points in this regard against which advertisers abroad might be warned—particularly in regard to translations and choice of illustrative subjects. In making translations too much care cannot be taken. Such matters should be given into the care only of the most competent persons. Translations from English into Spanish by translators who have been either careless or incompetent sometimes lead to most ludicrous results, if not resulting in a downright change of meaning in the text.

Illustrations

In the matter of illustrations, too, care should be taken to meet as nearly as possible the ideas of art and beauty of the persons to whom it is directed. Standards of beauty are not the same the world over. What may be considered beautiful or artistic by an American

would shoot far of the mark when aimed to please the eye of a South American. This is particularly true when the object is to convey a message of feminine beauty and loveliness. Hence it would be well to give thoughtful consideration to the choice of subjects for such illustrations.

The importance of having trade-marks registered before any attempt is made to sell goods cannot be overemphasized. It is a law in most of the South American countries that if a foreign merchant fails to register his trade-mark he may not have redress if it be appropriated for use by some one else.

The intricacies of foreign trade are largely exaggerated, and if the business man or manufacturer who anticipates engaging in foreign commerce will take pains to have answered such questions as follow, he need have no hesitancy in undertaking a campaign in any country of the world:

1. What kind of people are they with whom I am going to deal?

(a) In what way do they differ from myself or those with whom I am accustomed to transact business?

(b) What are their national requirements?

2. On what terms do I have to sell my goods, and what arrangements must I make in this connection?

(a) What is their method of exchange?

(b) What are their requirements for credit?

3. What are the requirements of the various countries governing the registration of trade-marks?

(a) What system of weights and measures is in force generally?

AMERICAN GOODS ENTER SOUTH AMERICA

A scene at Guayaquil where imports of goods from other countries, and especially the United States, are running higher than ever before, taxing the country's transportation facilities

4. Are these people liberal or close in making their purchases?

(a) Will they absorb freely of dozen, gross or quantity shipments?

(b) Are they inclined to overtrade?

5. What are the necessary directions as to packing goods for shipment?

6. Can I sell direct from my factory, or must I appoint agents to act for me?

7. What is the average purchasing power of the country based on population?

8. What are the local and national conditions generally, including politics, geography and climate?

9. Is my article suitable to the market?

(a) If not generally suitable, in what locality could it be sold?

(b) Could a market be created?

With these questions answered, a manufacturer or merchant will have gone a long way in removing many of the obstacles and uncertainties which he thinks awaits him in the foreign trade fields.

How London Traders Deal in Foreign Exchange Through American Stocks

DISPATCHES from London continue to tell of the large numbers of speculators who are dabbling in the foreign exchange market, either consciously or unconsciously, through the medium of American stocks which are traded in there, as well as through South African gold mining shares. The exchange situation makes it a fascinating method of operation because it is a double speculation, with a double risk and a chance for double profit.

When there is an advance in American stocks, there is, of course, an advance in the shares of those companies which are traded in in London. There are other factors, however. For instance, a drop in the value of the pound sterling is accompanied by an advance in the London price of the American stock, because that stock can be sold for dollars and the money converted into a greater number of pounds sterling.

Owing to the limited number of American stocks available, this double speculation has been popular in South African gold shares. Since the establishment of a free gold market, gold has gone to a premium. It is selling for between 102 and 103 shillings an ounce, while the actual sterling par value is only 85 shillings, or four pounds five shillings, the equivalent of $20.67, the American gold parity.

Gold is an international currency which will bring its full value in any country; therefore its value in sterling with a free gold market is always equivalent of the most adverse exchange rate. Dollars are at a premium of 20 per cent, and so gold has also reached a premium of 20 per cent when figured in sterling, because it is the same thing as though the miner were producing American dollars and selling them to English brokers at the current rate of exchange. Gold mining companies, British controlled, are selling the metal wherever it will bring the highest price. Some of it has gone to America and some to India, but the proceeds are converted into sterling, adding the exchange premium to the ordinary profit that would accrue with sterling at par. Thus the double speculation of the gold mine shareholder compels him to watch the rate of exchange as much as the stock market, because the sudden collapse of sterling is just as profitable to his company as striking a new vein of rich ore—the lower sterling falls the richer the vein.

In speculation in American shares the chance for double loss or gain is more direct. Even if the gold mines were to make big profits out of the exchange premium, the shareholder can benefit only when this is distributed, or by enhancement of the market value of the stock in anticipation of the distribution of extra profits. But the trader in American shares sees the selling price of his stock marked up the minute exchange drops. He is in a position to realize at once, if he cares to. He also has a double set of developments to watch. His shares may decline on the New York market, causing an equivalent London drop. If at the same time sterling advances he faces a loss from both causes. He must watch the factors aggravating the exchange market.

All these factors are simply terms of exchange, as the man who buys shares of such a company is speculating in exchange and could make just as much money trading in exchange direct. His stocks may be marked up because of a decline in the sterling rate, but he eventually converts all his profits into British currency.

If he attempts to convert his profits into dollars, he loses them, because the dollar is at a premium.

Financial Conditions in Czecho-Slovakia

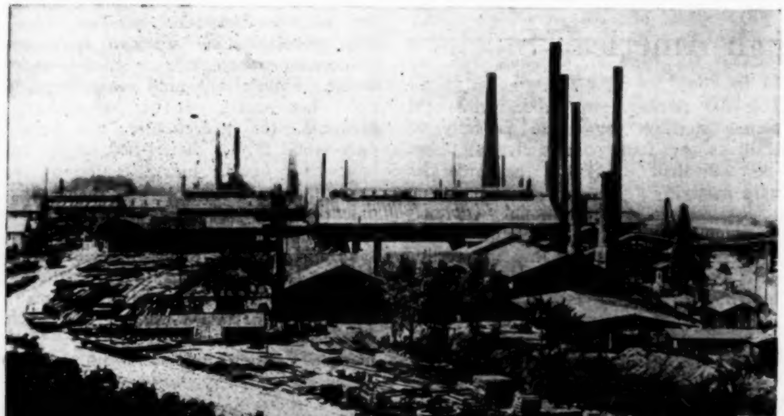
By **F. X. HODACZ**

Secretary of the Czecho-Slovak Manufacturers' Association

AT the time of the Armistice the circulating money in the Czecho-slovak Republic, as well as in all the territory of the former Austro-Hungarian Empire, was the bank notes of the Austro-Hungarian Bank. The issue of these bank notes amounted to more than 35,000,000,000 crowns. These bank notes were covered by 343,000,000 crowns in gold, by commercial paper, and about 30,000,000,000 by certificates of indebtedness of the Austrian and the Hungarian Governments.

Following the Armistice, the exchange value of the bank notes issued by the Austro-Hungarian Bank was going lower and lower. To meet this situation. it was necessary for the new Republic to distinguish the money circulating in its territory from the other Austro-Hungarian bank notes, and accordingly, by a law of February 25th, 1919, it was provided that all bank notes circulating in Czecho-Slovakia should be presented to the Government Officials to be officially stamped, a part of the notes being retained by the Government as a forced loan. By the law of April 10th, 1919, these stamped bank notes became exchangeable for the new currency issued by the Czecho-Slovak Republic, the unit of which was the Czecho-Slovak crown. For this purpose paper money is being printed to an amount of 8,000,000,000 crowns (some of it is printed in New York City), and the exchange of this money against the Austro-Hungarian bank notes will soon be completed. About two billion crowns of this new money is the part retained by the Government as a forced loan, as above mentioned, leaving about six million crowns in circulation. This money is legal tender in Czecho-Slovakia for the payment of all debts, taxes and government fees; and obligations due in Austro-Hungarian crowns may in accordance with the law be paid by the same amount of Czecho-Slovakian crowns. It is of importance to note that no more paper money has been printed than the amount of Austro-Hungarian bank notes circulating in Czecho-Slovakia in March, 1919, when the latter were stamped. Thus expansion of the currency has been definitely checked.

Doctor Francis X. Hodacz, the author of this article, is one of the representatives of the employer group sent by the Czecho-Slovak Government to the International Labor Conference. He has been elected to serve for a period of three years on the Board of Governors of that body. He is also Secretary-General and a member of the Board of Directors of the Czecho-Slovak Manufacturers Association, and Professor of Political Economy in the Polytechnic High School of Prague.



A STEEL PLANT IN MORAVIA

New capital, flowing into Czecho-Slovakia, has already done much to advance the industrial development of the new republic. The steel mills are not yet very large, being equipped principally to handle limited quantities of high-grade ore

Determining Value

In determining the value of the new money, it is necessary to consider three questions: the coin standard of the money, the purchase value of the money, and the exchange rate.

The Czecho-Slovak crowns are provisional money and are not covered by gold. They are fiduciary money. So, theoretically, there is only the old coin standard of the Austro-Hungarian crown, which is 20.26 cents in gold per crown. What the new coin standard of the new Czecho-Slovak money (probably a Latin unit, such as the franc) will be, and what its relation to the present Czecho-Slovak paper crown will be, is not sure today. One thing is certain, the coin standard of the Czecho-Slovak crown cannot be more than the standard of the Austro-Hungarian krone, which is 20.26 cents, and it cannot be less than the purchase value of the Czecho-Slovak crown in Czecho-Slovakia.

To show the purchase value of the Czecho-Slovak crown, it is necessary to make some comparisons. First, take a pair of shoes. The present average retail price for men's shoes in Czecho-Slovakia is 150 to 250 crowns, whereas the price of such a pair of shoes in America is from $10.00 to $15.00, which at prevailing exchange rates would mean 500 to 750 crowns. Czecho-Slovak crowns, therefore, when transferred into shoes, are worth about 6c. each of American money, whereas if they are transferred directly into American money at the present exchange rates, they are worth only about 2c. each.

The increase in the price of real estate in Bohemia during the war is probably three or four times the pre-war value, yet the decrease in the exchange rate is to one-tenth of the pre-war value. Thus a person who has a house in America could sell the house, convert his money into crowns and buy in Czecho-Slovakia three similar houses at the present prices, the difference being due to the exceptional exchange rates.

From above examples it is clear that between the purchase value and the exchange rate of the Czecho-Slovak money there is a great difference. The reasons for this are technical, and result from the fact that the exchange rate is determined by demand and offer in America for Czecho-Slovakia money. But the effect is that Czecho-Slovakia cannot buy anything in America, except a very small part of the raw materials which are most urgently needed.

The Important Question

So the question is how to establish a sound exchange rate, based upon the actual value of the money of the new Republic. This may be done in two ways: either by establishing business credits for six to twelve months for the purchase of raw material, or by a long time loan.

General Aspects of Leading Bank Stocks

Guaranty Trust Company, Chase National, First National—Their Remarkable Investment Status—Opportunities in Comparatively Unknown Field

By VICTOR DE VILLIERS

THE field of bank stock investment, which also includes trust company securities, as well as any subsidiaries, is so vast that it would take about a whole lifetime to study and write all that could be written on the subject.

The author has spent many days in exclusive research work, and many more sleepless nights in an endeavor to plan a method that would so crystallize results that "he who runs may read." The more I go into the subject, the deeper I seem to get into the quagmire of capitalizations and recapitalizations, dividends, extra dividends, and "rights" on top of that. Several points, however, stand out clearly high above the state of mental confusion one is likely to get into trying to get results, and conclusions might as well be stated in advance:

Bank stocks on the whole are not now "on the bargain counter" from the point of view of quotations alone. They have advanced very substantially on the average since 1914—as much as 200 to 300 points in some cases.

The advances so made have not kept pace with the extra values placed behind the individual issues, and have not discounted many new features that have entered into the situation as a result of war and post-war conditions, such as expansion of business, greater profits that are likely to continue for several years hence, outlets for new business, and in some cases the formation of subsidiaries that are likely to show extraordinary profits as the years go by.

The public in general does not hold bank stocks. A canvass of brokerage offices does not reveal that bank securities form any appreciable part of the collateral offered by customers to their brokers. While recognizing their great intrinsic worth, brokerage houses cannot very well "carry" inactive securities that fluctuate widely and show a wide margin between their "bid" and "asked" prices. Bank and trust stocks have these characteristics.

The public has not been invited to buy bank stocks, although a banker will never look askance on a customer's suggestion that they should be bought, and will nearly always lend money on the stocks of other banks (they cannot lend money on their own stocks).

Bank publicity has not been along lines suggesting a purchase of a bank's stock. Particulars, where furnished, are usually with a view to showing the strength of any particular bank and invite an account —*not a purchase of stock.*

The outstanding point that is clear is this: money has never been lost and probably never will be in the purchase of the good bank stocks. On the contrary, investors in bank stocks have realized profits—often very substantial profits.

A Small Interest Return?

The public has been deterred from purchasing bank stocks in a large measure because of their inactivity in the market, wide and erratic quotations, scarcity of stocks when the impulse was to purchase, and more important than these reasons the apparent low return figured on the market price and dividend paid.

Taking an individual case as an example, Citizens' National Bank of New York with a par value of $100 has been selling around $260. Its present dividend rate is regularly $10 a share, but 1919 "extras" bring it up to $12. Its former *regular* dividend rate was apparently $6 a share in 1917 and 1918, and any one who inquired about its regular dividends would probably feel disappointed at the low rate. The bank paid a total of $9 in 1917 and $13 in 1918, the difference being "extras."

It is worth comparing the apparent and actual return on these figures:

The average return is well below five per cent., and seemingly there would be no attraction in Citizens' National if purchased strictly for its income return. Even if the dividend of $12 a share is continued indefinitely, $260 seems a high price to pay compared with active listed issues that yield from 6 to 9 per cent. Where is the attraction?

One answer may be found in an announcement recently that this bank is about to increase its capital from $2,550,000 to $3,000,000, and shareholders will be offered $450,000 worth of the new stock *at par.* This means that for every 100 shares held at present, stockholders will have the right to subscribe for about 5½ shares at $100 each. As the shares have an immediate market value of $260, the stockholder now owning 100 shares in Citizens' National gets a bonus of $550—which is the equivalent of 5½ per cent. extra on his holding.

CITIZENS' NATIONAL BANK OF NEW YORK

Comparison of Income Return

		Regular Dividend.	Extra Dividend.	Straight Income Return.	Total Income Return.
Price basis $260 a share (current market)	1917	$6	$3	2.3%	3.4%
	1918	6	7	2.3%	5.0%
	1919	10	2	3.8%	4.6%

HOME OF GUARANTY TRUST

Growth of the Banks of this country is attracting the interest of thousands of investors—Guaranty Trust is one of our most properous institutions

His income return on his stock for 1919 would be over 10 per cent. if he decided to sell the extra shares. If he should adopt the more sensible course of holding his new stock acquired so cheaply, he would "average" his income return very substantially as the accompanying tabulation shows.

I realize that the reader may become sceptical; some may believe that seven years of lean don't compensate for one year of fat. The writer has no bank stocks to sell and states the facts, which by the way are *wrung* slowly and laboriously from a mountain of figures and statistics. In our effort to build up a nation of intelligent investors, it is proper that the possibilities in bank securities be taken into the limelight for the benefit of those who take the trouble to dig beneath the surface, and act for themselves.

It was pointed out in a highly respected and contemporary financial journal a few days ago that during the course of a consolidation of Chicago banks, where the president has held his present office for forty years, he showed how $10.000 invested in that bank in 1888 has now grown to $3,000,000. Its history forms no part of the present article, but we will get down to it in good time.

Such instances, which are more general than is commonly supposed, should not lead any one astray. It is not an argument favoring the purchase of *any* new bank stocks, but a point worth remem-

bering if a really good opportunity comes along. For the time being we very strongly favor dealings in the stocks in banks which have been established ten years or more. Some splendid new institutions are much younger than that

CITIZENS' NATIONAL BANK—INCOME RETURNS.

	Price of Stock.	Dividend Rate with Extras.	Apparent Return.
100 shares old stock............	$260	$12 a share	On 100 shares, 4.6%
5½ shares new stock............	100	12 a share	On 5½ shares, 12%
			On 105½ shares, 5%

and present good opportunities. That also will be "another story." Meantime we will be glad to give our opinion to those interested in any of them—new or old.

Three National Institutions

Which leads us to a preliminary consideration of three institutions which stand in the forefront of our national life and history, and whose stocks are so "standard" as to enable most others to be judged by their policy and prices. We select for our first examples the securities of a trust company, two leading national banks, New York institutions that almost stand for the metropolis itself—the First National Bank, the Chase National Bank, and the Guaranty Trust Company.

All three sell at "fancy prices" as most bank stocks do. It is useless to attempt quoting exact market prices, but to give approximate round figures they are about as follows:

First National	1,000
Chase National	600
Guaranty Trust	430

The average prices of about one hundred high-grade gilt-edge bank and trust company stocks is between 400-500, so that the First National-Chase-Guaranty Trust trio are not selling far above the average considering their very strong investment rating.

Are they now cheap or dear? Should I wait for a "reaction" or buy now? Will they go lower and give me an opportunity to buy at more attractive levels?

Bank stocks, unlike the active Stock Exchange groups, have not what is known as a "technical position." Even were I a judge of the market, regarding which I have no roseate illusions, it would be impossible to hazard any kind of prediction. Bank stocks are held by comparatively few individuals, the bulk being vested in officers, directors and friends of the banks concerned; also a few scattered individuals to whom they have been recommended, and by estates which have inherited them. The occasions are very rare indeed when general selling takes place; and even in panic times, their owners know exactly where to turn to borrow on their gilt-edge securities.

In passing, it might be well to mention that while an individual bank does not lend on its own stock, it would—and should—have little hesitation in lending on the securities of other banks and trust companies.

The trend of earnings and prosperity is upward, so far as banks are concerned. They have always been on the up-grade. The few thin years they have experienced have been interruptions in the main trend. Consequently the demand for many years should always exceed the supply, and prices in the near and immediate future should go upward. It is doubtful if waiting for "reactions" will accomplish anything, unless the reader is unduly pessimistic and can imagine further world catastrophes which will most probably materialize—in his imagination.

The three banking institutions have made steady progress since their foundation, not as a result of extraordinary prosperity but consistent with the general rise in banking business on the whole. When the Government established the national banking system to take care of its war requirements in 1864, the 139 banks then established had total deposits of less than $20,000,000. Today there are ten times that number of banks with nearly $16,000,000,000 in deposits, of which fully 75 per cent. belongs to the people.

No wonder institutions like the First National, Chase National and Guaranty Trust have forged ahead.

The Guaranty Trust Company

The Guaranty Trust Company is the largest institution of its kind in America, and one of the leaders of the entire world. Founded in 1891, with a capitalization of $2,000,000 and a surplus of about $500,000, it has steadily grown until its capitalization is now $25,000,000 and its surplus a trifle under $30,000,000. Deposits have shown a similar enormous expansion, from around $10,000,000 in 1892 to well over $600,000,000 at the present time. Those who are fond of comparative statistics will find some food for reflection i the following figures showing the growth of th's institution (in thousands):

	1892	1919	Per cent. increase
Capital	$2,000	$25,000	1250
Deposits	10,000	600,000	6000
Resources ...	15,000	800,000	5200

In the year 1909, with capital unchanged at $2,000,000 from its foundation, the Guaranty Trust managed to increase its surplus from $500,000 to $18,000,000—roughly at the rate of $1,000,000 annually. This means that the Trust had "plowed back" about $50 a share behind its stock, after paying dividends which ranged between 6 to 8 per cent.

The first increase came in 1910, and then followed an avalanche of business and increases, there being no less than two changes in that year, from $2,000,000 to $3,000,000 and then to $5,000,000. The Guaranty Trust took over the old Morton and Fifth Avenue Trust Companies in 1910, and the new capital was to provide for an exchange of stock. Incidentally "rights" were given to Guaranty Trust stockholders in connection with the first increase, to subscribe *at par* for new shares to the extent of 50 per cent of holdings.

The larger capitalization in no way impaired the earning power of the enlarged concern. In 1911 it paid 40 per cent. on the new capitalization, and in 1912, on taking over the Standard Trust Company, the capitalization was again increased—this time to double former figures, or $10,000,000.

The shares of Guaranty Trust then had a market value around $500; in fact, some of the new stock was sold at that figure and a proportion was used to take over the absorbed Standard Trust.

Stockholders were indeed fortunate in 1912. They were privileged to subscribe for the new stock *at par* to the extent of 80 per cent. of their holdings. The holder of 100 shares had a clear profit of $32,000 on his block of stock through this particularly attractive melon-cutting.

To keep the pot boiling a further 100 per cent. increase took place in 1916; this time the full right to subscribe at par went to holders of stock—share for share. This brought up the capitalization to $20,000,000 or exactly twenty times the original figure.

The final phase of the Guaranty Trust Company's placing its financial house in order culminated in 1917 when the present capitalization was resolved upon. Stockholders were privileged to subscribe for new shares at par in the proportion of one to every four held, bringing up the outstanding capitalization to $25,000,000, upon which dividends at the rate of 20 per cent. are now being paid.

What next?

We don't know. Your guess is as good as ours. Look back at the record of this remarkable institution and after judging for yourself make your choice. It is safe to predict that future expansion will be along the same broad lines, the dividend is conservatively within the corporation's earning power and will be maintained. If earnings should fall off, there is a handsome surplus to draw upon—although this contingency is highly improbable.

The corporation which has its principal home in the downtown financial section of New York maintains branch offices in the metropolis as well as in other large cities of the world, such as London, Paris, Brussels and Liverpool, and will undoubtedly establish others when the period of reconstruction is well under way.

It is interesting to note that an original holder of 10 shares of Guaranty Trust costing $1,000 would now own about 90 at a substantially lower price, due to the rich dividends of 20 per cent. and 40 per cent. received at intervals. The $9,000 invested would now be worth $38,700 and the income return 20 per cent. on all money put into the enterprise.

(To be continued.)

Succeeding articles will deal with Guaranty Trust, Chase National and First National Banks, and further *comparative statistics* will be given on the entire three securities to enable investors to judge the worth of "banking securities."

What Thinking Men Are Saying

Leading Financial Interests of America and Foreign Countries Urge Establishment of International Credits to Restore World Trade Conditions

FOREIGN EXCHANGE SITUATION BASED ON EXCESSIVE SUPPLIES

Prest. Alexander, of Bank of Commerce, Says Fundamental Conditions Are at Fault

"While there have been huge increases in our exports to Europe, there have been great decreases in our imports from Europe. There has therefore come into the foreign exchange market a greater volume of checks and drafts on Europe than European drafts on America, resulting in a far greater supply of foreign exchange in this market than there is a demand for on the part of Americans having remittances to make abroad. As always happens in the case of any commodity when supply exceeds demand, prices of the foreign exchanges fell. The depreciation of foreign exchange in this market, therefore, is merely a normal expression of the law of supply and demand.

"The question as to what will correct the situation can be answered on general principles without any attempt to prophesy. Foreign exchange cannot come back to parity until the restoration of the gold standard in Europe corrects the depreciation of European currencies and until the restoration of approximate equilbrium between our exports and our imports in respect to Europe again makes the demand for foreign exchange approximate the supply."

AMERICA'S OPPORTUNITY IN FOREIGN MARKETS

Guy M. Walker Calls Present Trade Possibilities Unparalleled

"The truth is that we here in America now have such an opportunity as has never been presented to any nation before. We have an opportunity by selling what we have to the world at the present extraordinary high prices, which everyone must realize cannot be maintained long, and of placing the world in our debt to such an extent that it would, if the opportunity were seized, almost carry us through the period of a reaction without serious difficulty.

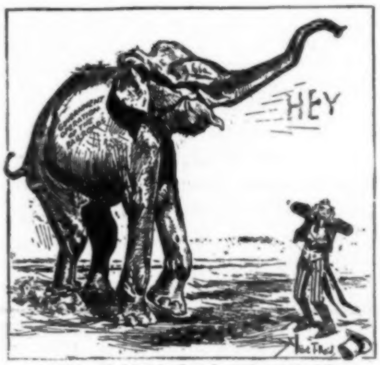
"There never will be a time in the history of the world when we can get so large a promise to pay from the world in return for any given amount of metal, or food products, or manufactured goods, or of raw materials. Every manufacturer in America should sell to any and every foreign purchaser anything that can be sold by granting credits with any reasonable security. Instead of lending American money abroad, American bankers should extend their credit to the American manufacturer by accepting from him with his endorsement the credit received by him from foreign purchasers."

INTERNATIONAL COMMERCE SERIOUSLY THREATENED

Sir George Paish Warns Against Industrial Collapse

"It is becoming clearly evident that unless the entire problem is soon dealt with in all its aspects a complete breakdown of credit, of exchange, of commerce and of trade must occur in the not distant future. The people of Europe cannot support themselves without the continued grant of credit for the purchase of urgently needed food and raw materials.

"Secretary of the Treasury Glass's statement that the problem of financing the restoration of Europe belongs primarily to American exporters is much too big for the American exporters to deal with. They cannot go beyond the limits of their



AN ELEPHANT ON HIS HANDS.
From the *Journal* (Wilmington, Del.).

own credits, which have already nearly been reached. The protective tariff is primarily responsible for Europe's inability to pay America for American goods. Those laws are designed to keep out foreign goods, and only by selling goods to America can Europe pay for American goods.

"Although the question of the American tariff and American policy is one for the American people alone, the claims of humanity demand that America in one way or another, by banking credit, by private loans or government loans, should supply Europe with the food and material she needs in this great emergency."

ACCEPTANCES SHOULD BE PROVIDED FOR FOREIGN TRADE

Paul M. Warburg Urges Granting Facilities Abroad

"The United States being today the only free gold market of importance, and the dollar selling at an abnormally high premium in most of the leading financial countries, it is but natural that there should be a world-wide tendency to seek our acceptance facilities for the purpose of financing international commerce. It is obvious that, in view of a trade balance so overwhelmingly in our favor, it is not only legitimate but our moral duty to grant acceptance facilities in foreign trade to the very limit of our ability, and to organize new corporations for that purpose in case our existing facilities should prove inadequate, provided always that the credits involved are of a sound character and complying with the limitations prescribed by the Federal Reserve Act."

DISAPPROVES EXTENSION OF FOREIGN LOANS

Representative Fordney Believes Sentiment and Wisdom Oppose Further Credits Abroad

"I do not think the people of this country are willing to extend their existing heavy loans to foreign Governments and peoples, or to arrange for additional foreign credits. I am bitterly opposed to any such extensions, and I think the committee feels as I do on this subject.

"With the foreign Governments, to which we have made heavy loans, defaulting on their interest payments one year after the close of the war, I do not think we would be justified in making additional loans. Besides they do not need it. Much sooner than some of us expect they will be back on their feet. Our trade last month reached the huge total of $500,000,000, a sum far greater than any pre-war month and the imports are keeping up. Through this trade the needy foreign Governments are being helped. Their money shortage trouble will adjust itself before we expect, I believe."

EXPECTS IMPROVEMENT IN FRANC EXCHANGE

Chairman Taylor, of Lackawanna Steel Board, Says Reconstruction Is Proceeding Rapidly

"By next Spring there will have been a pronounced recovery in franc exchange due to improvement in conditions generally throughout the country. Even at present except in the devastated areas, there is little or no evidence of war and the peasant population is more prosperous than ever before in France.

"Arrangements are being made to plant large crops and with the realization of fair harvests the condition of the country will be much better. Revival of the confidence of the peasants themselves in financial conditions thereby bringing

about the withdrawal of large amounts of hoarded money from hiding will go far toward restoration of normal trade conditions and the improvement of franc exchange."

"Re-building of the devastated districts will require large amounts of steel, and not a little of this tonnage will have to be secured in this country. Plans for restoration work are being worked out and the various projects will be gotten under way in the near future."

EXPORT SITUATION DEMANDS QUICK ACTION

Director of Bureau of Commerce Kennedy Warns Against Delay

"The excess of American exports over imports has grown out of bounds. There is no question about the demand for American goods abroad. Europe is still experiencing an acute shortage of food, raw materials and all kinds of manufactured goods. Lacking imports to balance our exports, the pertinent question is the extent to which we can safely take future promises to pay. Whatever one's views about the proper nature of the peace settlement, all may readily agree that foreign credit arrangements are being delayed, awaiting a more stabilized condition. Unless certain reasonably adequate credits are soon made to foreign countries our exports may be expected to fall off on account of depreciated foreign exchange."

RAILROADS' INCREASING CAPITAL REQUIREMENTS

Thomas DeWitt Cuyler Says Expenditures Will Require Billion a Year

"During the period of war control, the Government has been unable to keep up normal expenditures for railroad upbuilding. Last year the labor and materials had to be devoted to the prosecution of the war, and this year the Government has not had the money to spend. So, with the return of the roads to their owners the managements will be faced with the necessity of very large capital expenditures for betterments and improvements. And this work will have to be done at a cost for labor and materials about double what it was before the war. New capital expenditures at the rate of $1,000,000,000 a year would, therefore, seem to be the minimum required if the railroads are to be enabled to handle the growing traffic of the country.

"To attract the new capital for upbuilding the railroads, the transportation industry must be able to earn a fair return on this capital. Adequate earnings are only possible with adequate rates for service. The rates now are admittedly too low to meet the greatly increased expenses of operation, and leave a fair margin for capital.'

LABOR MUST RESPECT PUBLIC'S WELFARE

Former President Taft Says Industrial Problem Can Be Solved

"I think the coal strike, the steel strike, the police strike and their results have taught the lesson to those who thought their power unlimited that they must respect public opinion.

THINGS GENERALLY COME OUT ALL RIGHT
From the *Dispatch* (Columbus, Ohio)

"When all the members of the Senate Committee on Interstate Commerce, except Senator La Follette, vote for the provisions of a bill that make the use of the strike a violation of the law, we have come to a new way of thought.

"When men engaged in interstate commerce can bring a nation to starvation in order to enforce their demands, they go into the highway robber business, and the people have been roused to the point where they've told Congress that it has got to stop. That a change for you!

"The interests of capital and labor are necessarily adverse, but that we can reach a mean between them, without recourse to the extreme of force on the one hand and of injunction on the other, I verily believe."

NEW ENGLAND ROADS ARE UNFAIRLY TREATED

Pres. Buckland, of the New Haven, Describes Their Relatively Poor Showing

"Whereas the railroads in New England during the three years prior to the war averaged net incomes totalling $38,883,011, during the twenty-two months of Government operation net income was reduced to $10,612,375, and in place of surplus totalling $10,511,828 there was a deficit of $19,968,991.

"The roads in this district earned during the period of Government control 29.9 per cent of the Government guarantee, whereas the roads in other sections earned between 75 and 76 per cent. The relatively poor showing was due to increased costs of carrying coal, terminal charges that were excessive because of peculiar geographical conditions and wage advances that had been particularly severe on the New England roads because in this section pre-war wages were below the average."

ESCH BILL CONDEMNED BY RAILROAD HEAD

R. S. Lovett Opposed to Its Adoption for Numerous Reasons

"It imposes on an already overburdened commission performance of many new duties and administration of many new regulations, creating no new agencies to assist the commission.

"Providing guaranty for six montrs after Federal control, the bill, provided railroad control ends on December 31, picks out the worst six months of the year from an earnings point of view, and on that account the guaranty is 'illusory if not worthless.'

"The Esch bill as amended by the House with respect to funding amounts charged by the Government to the roads for additions and betterments during Federal control is a serious menace to the credit of companies without great financial resources and strength.

"Without prohibiting or discouraging strikes, the bill effectually perpetuates every wage increase and every working rule or regulation made by the Railroad Administration under war stress and the abnormal conditions resulting therefrom.

"Legislation of the sort contemplated by the Esch bill, is not likely to attract investors to railroad securities or to inspire much confidence in the future provision of transportation facilities which the country will need."

PEAK OF PROSPERITY NOT YET REACHED

Charles M. Schwab Believes Much Better Times Are in Store

"My own belief is that we are just as far from the zenith today as we were in 1901. There are breakers ahead: there are rapids through which we must pass, but I believe in the future progress of the world and that we are soon to have one of the greatest eras of prosperity in all history.

"So long as the shortage of shipping lasts, and the pressure for tonnage continues with its present abnormally high freight rates, nothing can prevent a tremendous increase in American shipping. The real test will come later. When the more orderly economic processes of the world have been restored we will find that if present dues, wages, and other restrictions upon vessels flying the American flag continue, American owners will again transfer their vessels to foreign registry."

INCREASED FARES NEEDED TO SAVE N. Y. TRACTIONS

Receiver Job Hedges Urges Advance in Proportion to Increased Costs

"The two cent transfers being charged at present yield $700,000 a year, but wages have been increased 25 per cent. and the people must accede to a fare increase to eight cents to bring the roads to a sound basis. The same increase should be accorded to the Interborough, Brooklyn Rapid Transit and Interborough railway. The city omnibuses are running under unlawful statutory authority, and the city will be sued for that."

NEW ENGLAND RAILROADS MUST HAVE PRE-WAR RATES

State Governors' Conference Adopts Resolutions for Rehabilitation

"The return of the roads to private control without legislation to restore conditions which existed prior to their taking over would be disastrous to New England industries, institutions and investors. Congress should be requested to adopt legislation that would provide for the payment of the Government

guarantee until rates have been put in effect by the I. C. C., which shall restore the pre-war relationship of rates between New England and other rate districts, with such increased divisions and allowances as shall assure to the New England roads sufficient revenue properly to serve the New England public without undue increase in intra-New England rates, to pay fixed charges of the several roads and a reasonable return on the investment therein, giving to the Interstate Commerce Commission plenary power to determine such divisions and allowances.

"The roads should receive, when returned to their owners, the amount of working capital on hand at the beginning of Federal control and appropriated by the Government.

"All indebtedness due the Government should be funded for a sufficient period and at a rate of interest which will enable the railroads to rehabilitate their credit, substantially as provided by the Cummins bill."

GRAVE SHORTAGE PROBABLE IN FUEL OIL SUPPLIES

H. L. Doheny Predicts Scarcity Due to Mexican Ban

"Mexico's recent order prohibiting drilling by American companies in the southern Tampico region of Mexico will have an alarming effect on oil supplies in the United States. Industries on the eastern seaboard that rely on Mexican oil will face a serious shortage.

"Continued enforcement of the suspension order will cut off hope of a fuel supply for the Shipping Board's fleet of commercial steamers, as no company in the United States would be able to supply the quantity of oil required at any price. Gasoline and kerosene supplies will also be affected."

FRANCE IS DEPENDENT ON AMERICA FOR OIL

Capt. Ingot, French Delegate, Says Country Will Require 100,000 Tons a Month in 1920

"France is in the market for about $50,000,000 worth of American fuel oil annually. Outside of an annual output of 50,000 tons in Alsace, France has to buy practically all her oil from other countries. Before the war the yearly consumption was 120,000 tons, but the demand has now risen to 500,000 tons yearly half kerosene and half gasoline."

U. S. OIL RESOURCES RAPIDLY DIMINISHING

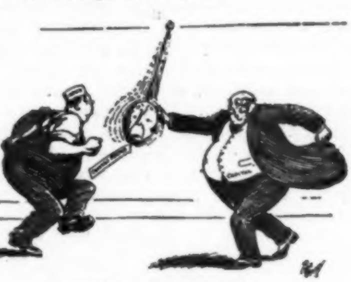
David White, in Geological Survey, Says Amount Underground Only Good for Sixteen Years

"Amount of oil underground in the United States is equal to about sixteen years' supply at the present rate of consumption. The total amount existing underground is estimated at 6,740,000,000 bbl., distributed as follows: California, 2,250,000,000 bbl.; Mid-continent (excluding Texas), 1,725,000,000 bbl.; North Texas, 450,000,000 bbl.

"To fill the gap between our actual domestic production and the requirements of domestic consumption, it has been necessary to reduce oil in storage to the extent of 27,000,000 bbl. and to supplement this with a net importation of 31,000,000 bbl., chiefly from Mexico. The deficiency of our current production during 1918 has, therefore, amounted to 58,000,000 bbl., nearly half of which has been withdrawn from storage.

"According to general expectations, the consumption curve is destined during the next year, and probably longer, to continue its present upward trend beyond the 400,000,000 bbl. mark.

"The situation demands not only prevention of waste, but the most economical and efficient use of our oil. Also, it warns operators to consider more thoughtfully and promptly the acquisition of foreign oil reserves."



PUNCHING THE BAG —*Life.*

EUROPE'S ADOPTION OF THE EIGHT-HOUR DAY

J. S. Edstrom, Employer, Says Europe Needed Fourteen-Hour Day to Catch Up

The working hours of European labor are of great significance to American competitors. In this connection the remarks of J. S. Edstrom, president of the Swedish General Electric Co., concerning the outcome of the recent labor conference in Europe are of interest.

"We did not want an eight-hour day, but the resolution providing for international legislation to that effect went through with just two dissenting votes. The pressure for an eight-hour day was too great for us to resist. The political influence of labor in Europe is very great. It may sound exaggerated but what we employers in Europe wanted for the next few years was a twelve or fourteen-hour day. For five years men have been spending their time trying to kill each other, and during that time there has been no production. What we ought to have done was to provide for a working day long enough to enable us to catch up and to build up that which has broken down. Labor, however, had its say, and we employers are going to swallow the pill in the best possible manner. There was no end of untimely measures presented by the various delegates at the outset, but we were able to narrow the eight-hour day down to a point which will prevent the measure from doing actual harm to industry.

"It was a great disadvantage not to have the United States represented in the discussions. We felt that we ought to know just how far America expects to go. If American workers are obliged to work 10 hours a day it will be greatly to Europe's disadvantage."

NEW PROSPERITY WAVE TO SET IN SOON

President Ulman, of Amal. Leather, Predicts Boom Will Begin Within Ninety Days

"Within the next 90 days will come the opening of an era of exceptional business activity and prosperity extending probably for several years.

"Unrest is in hand. A peace treaty will be signed. European food supplies will be larger next year. At the same time their raw materials will be less and they will have to replenish these stocks in American markets. Europe will require financing and it will have to be done in the United States. It is a problem for the merchant and the banker, but it can be done, and when it is it will be to the advantage of this country."

CREDIT MUST BE GIVEN TO SAVE STARVING EUROPE

Herbert Hoover Warns of Governmental Breakdown Abroad Unless America Acts

"I do not believe that we can, with such a surplus of breadstuffs in our hands, sit down in the United States and see millions of people starve merely because we exact cash instead of credit. Unless we take some immediate action in the matter we shall have a breakdown of stable government in Central Europe. If we look at it from the most selfish point of view of our own future interests we cannot expect to have peace and a recuperation of the world if we allow the creation of another cesspool like Russia. No section of this community, however, places selfish interest before humanity.

"The amount of assistance required is very small compared to the total that we extended last Winter. Furthermore, transportation, government, and other things have become so much more nearly normal in Europe that it does not require establishing any great system of distribution. The whole operation could be carried out by the chief grain corporation."

WAR INDUSTRIES BOARD SHOULD BE MAINTAINED

Bernard M. Baruch Believes Skeleton of Control Body Should Be Ready for Emergencies

"The creation of a skeleton peace-time War Industries Board is necessary in the event of an impending crisis to make it possible within a few days to create an organization which immediately would mobilize all of the industries of the nation and quickly make available for the government all of its resources.

"Every possible effort should be made to develop production of manganese, chrome, tungsten, dyestuff, by-products of coal and all such raw materials usually imported but which can be produced in this country. Above all, immediate and persistent effort must be made to develop production of nitrogen and its substitutes, not alone for war but for agricultural purposes."

Bonds for the Reinvestment Period

Position of the Bond Market—Interetsing Method of Reducing Costs and Increasing Yields—A Number of Attractive Suggestions

By **JACOB H. SCHMUCKLER**

JANUARY first marks the beginning of a new period for investors. Around that time practically every investor is looking for bargains in all classes of securities in which to reinvest the funds they have received from their old holdings. The process of reinvesting is of course continuous throughout the year, but is of especially large proportions around January first.

The chief reason for this is that the amounts received by investors, in dividends, interest and principal are larger at the end of the year than at any other time. The present tax situation is also to be considered. A number of persons have sold bonds to write off losses for income-tax purposes. Many investors have undoubtedly since repurchased their holdings, but a great number, who would like to see the tax liquidation entirely over before making recommitments, will very probably wait until the close of the year. We have therefore an added source of demand for bonds during the reinvestment period.

The Bond Market

The action of the bond market since the signing of the armistice has been unsatisfactory. With few short-lived rallies, it has been tending downward, despite predictions for an advance as bonds dropped to lower and lower levels.

The cause of the decline in bond prices since the beginning of the war is to be found in the sharp upward movement in the general level of interest rates, due to the demands for caiptal far exceeding the supply. The demand for corporation bonds here has been seriously curtailed by the abnormally high income tax rates, which make such purchases by large investors highly unprofitable, at any rate, so long as there is no reduction in tax levies. The effects of income taxation were discussed in an article in the December 13th issue of THE MAGAZINE OF WALL STREET, entitled "Effects of Income Tax on Securities." High rates of income taxation will very probably stay with us for a number of years, unless government expenditures are radically reduced and other sources of substantial government revenue are evolved. In view of this fact, What are the long-range prospects of the bond market?

For most investors bonds are cheap today on an income basis, though very wealthy investors will have to consider the distribution of large properties of their funds among "tax-exempts." Still, even then the very wealthy will find it to their advantage to keep part of their funds in taxable corporation issues, for in the long run the rate of income will be larger than from investments entirely restricted to tax-free bonds. It is extremely difficult even in normal times to predict the short-time swings of the bond market, but over a longer range indications point to a gradual upward movement.

Indeed, considered on an income basis, the investor would do well, with bond prices at present levels, to take on larger commitments than he can now pay for in full, if he can borrow money to carry his excess bonds at a cost not much above the rate yielded by the issues purchased, and liquidate his borrowings by income received, especially income from other sources. This should prove an especially profitable operation in the case of a number of high-grade bonds, which have been depressed very materially and yield a liberal return, considering their investment character.

A concrete illustration will help to make this point clear. Supposing an investor has $10,000 to invest, and chooses to put his funds into the Lake Shore & Michigan Southern debenture 4's, due 1928. These are now selling around 84, to yield about 6.45% to maturity. Normally the bonds have sold about 10 points higher. The investor in point, with the bonds at 84, would be able to buy nearly twelve one-thousand bonds (par value). Now suppose that the investor buys 20 bonds and borrows the approximately $6,720, needed to carry the eight bonds, as collateral at 6%. Say that at the end of a year, after meeting interest on his loan, that he has been able to pay for two more bonds, so that he now owns outright 14 bonds. Now supposing that the market value of the Lake Shore issue has advanced 5 points at the end of the first year that the investor holds them. He can then, by selling the eight extra bonds that he has bought, gain an appreciation of $400 on the twelve bonds that he has originally bought, which brings the net cost down to 79, and increases the rate of yield on his investment to more than 7%. If the bonds go higher, the rate of income would of course be correspondingly increased, as the original cost would be written down further, but if it takes a longer time to secure any given market appreciation, the total profit on the whole transaction would be somewhat diminished.

Some Simplified Suggestions

The three tables herewith present about 60 well diversified issues from which in-

TABLE I—ATTRACTIVE LONG-TERM BONDS

Issue	Maturity	Price About	Approx. Yield to Maturity
RAILROADS:			
*Central of Georgia 10-year 6s	1929	98	7.00%
*Chesapeake & Ohio Conv. 4½s	1930	70½	8.90
Chesapeake & Ohio Conv. 5s	1946	77¼	6.90
*Chicago, Rock Island & Pacific Ref. 4s	1934	66	8.00
*Chicago & Western Indiana Cons. 4s	1952	57	7.50
Cleveland, Cin., Chi. & St. Louis Gen. 4s	1993	65	6.25
*Hocking Valley 1st Cons. 4½s	1999	69	6.50
Illinois Central L. N. O. & T. Coll. 4s	1953	70	6.10
Kansas City Southern 1st 3s	1950	55	6.40
*Lake Shore & Michigan Southern Deb. 4s	1928	84	6.45
*Michigan Central Deb. 4s	1929	73½	8.00
Missouri Pacific Ref. 5s	1965	76	6.65
New Orleans Terminal 1st 4s	1953	63	6.80
Pere Marquette 1st 4s (Series B)	1956	65¾	6.50
St. Louis, Iron Mtn. & Southern R. & G. 4s	1933	67⅝	7.90
*St. Louis, San Francisco Prior Lien 4s	1950	55	8.00
St. Louis Southwestern 1st 4s	1989	61	6.60
*Southern Pacific C. P. Coll. 4s	1949	69	6.35
*Southern Railway Gen. 4s	1956	60	7.00
OTHER CORPORATIONS:			
Bethlehem Steel Ref. 5s	1942	86	6.15%
*Bethlehem Steel Pur. Money 5s	1936	85	6.50
*Braden Copper Coll. Trust 6s	1931	92	7.00
Bush Terminal Cons. 5s	1955	76	6.85
*Chile Copper Coll. Trust Conv. 6s	1932	80½	8.60
*Computing Tab. & Recording S. F. 6s	1941	82	7.80
*Colorado Industrial 1st Guar. 5s	1934	74⅝	7.95
Midvale Steel Coll. Trust Conv. 5s	1936	82	6.80
New York Telephone Deb. 6s	1939	96	6.40
Pacific Gas & Electric Ref. 5s	1942	85¼	6.30
Wilson & Company 1st 6s	1941	97½	6.25
*Wilson & Company Conv. 6s	1928	95	6.75

(*) Issues preceded by asterisk are, in writer's opinion, relatively the better purchases in each group.

vestors can make profitable bond selections for the reinvestment period. Prices and approximate yields to maturity are also given. It should be understood that the quotations presented are as correct as they can possibly be under the circumstances. Those given in Table III are the averages of the bid and asked prices. All of the issues included are attractive on an income basis at prevailing prices, but for the benefit of those readers who may desire to know the most desirable issues in each group, the writer has indicated his own preferences.

Quite a number of the long-term corporation issues suggested are railroad obligations. In view of the seemingly very unfavorable recent developments in the efforts to pass satisfactory legislation in Congress to return the roads to private operation, some of our conservative readers may feel somewhat doubtful as to the whole outcome of the railroad situation, and they would therefore justifiedly question the wisdom of making large purchases of railroad bonds.

However, we are of the opinion that the railroad problem will be settled in a manner which will benefit the securities of almost all but the weakest systems. At any rate, there should be little fear as to the outcome for underlying railroad bonds under any probable developments. With few exceptions, all of the railroad issues given in the tables are underlying liens, and in no case are they absolutely the junior line, nor has their safety ever been questioned under normal conditions.

It is not necessary to go into the details of the many issues enumerated. Most of them have been described in the MAGAZINE on many occasions, and they are generally of such excellent investment character that analysis is hardly as essential as in the case of more speculative issues. In regard to railroad bonds, a study of current earnings as they affect bond values is only of limited value in view of the stringent government regulations over expenditures and the routing of traffic. The issues which the writer believes relatively the better in each group have been so indicated in the tables.

A few issues are of the convertible type, as follows:

C. & O. 4½s, 1930.
C. & O. 5s, 1946.
Chile Copper 6s, 1932.
Midvale Steel 5s, 1936.
Wilson & Co. 6s, 1928.
United King. 5½s, 1929.
Anglo-French 5s, 1920.
Lackawanna Steel 5s, 1923.
Union Pacific 4s, 1927.

Upon analysis, it appears that the early prospects of the conversion privileges of all of these have rather limited value, excepting possibly the Wilson & Co. 6s. The privileges attaching to the last two issues are no longer operative. The United Kingdom bonds are convertible into internal English bonds at 4.30 for the pound until early in 1929, so that these are prospects for additional profits from the exchanges advancing above that figure. Over a longer period the possibilities of the conversion features of the Wilson & Co. 6s and the C. & O. 5s appear to be very interesting.

TABLE II—ATTRACTIVE FOREIGN BONDS

Issue	Maturity	Price About	Approx. Yield to Maturity
*Argentine Government 5s	1945	72⅝	7.45%
Anglo-French 5s	Oct., 1920	95⅝	10.00
*Canadian Government 5s	1926	92⅝	6.40
City of Toronto Municipal 5½s	1922-23	93.17@98.13	6.25
*Imperial Japanese (Ger. St.) 4½s	1925	76½	9.15
*Imperial Japanese Sterling 4s	1931	66	8.10
Province of Ontario 5½s	1922	98¼	6.30
Swedish Government 6s	1939	90½	6.80
Swiss Confederation 5½s	1929	86¾	7.50
*United King. of Great Brit. & Ireland 5½s	1937	87	6.85
*United King. of Great Brit. & Ireland Conv. 5½s	1929	95¾	6.05

(*) Issues preceded by asterisk are, in writer's opinion, relatively the better purchases in each group.

Finally, a word is necessary as to the status of short-term issues. With indications pointing to an advance in the bond market over the next few years, the holder of long-term bonds stands to benefit to a greater degree than the investor who has early maturing issues. In suggesting so many short maturities, this point has been borne in mind, and excepting where needed in special circumstances the investor should put most of his funds into the longer maturities. There are of course circumstances where absolute liquidity of capital is the first consideration, and it is chiefly for such cases that the long list of such bonds has been presented for the attention of investors.

TABLE III—ATTRACTIVE SHORT-TERM ISSUES

Issue	Maturity	Price About	Approx. Yield to Maturity
American Cotton Oil 6s	Sept., 1924	98	6.50%
Bethlehem Steel 7s	July, 1923	100¼	6.95
*Canadian Pacific Certificate 6s	March, 1924	97⅝	6.75
*Chicago, Burl. & Quincy Joint 4s	July, 1921	94⅝	8.00
Chicago, Rock Island & Pacific 6s	Feb., 1922	95¾	8.00
Federal Sugar Refining 6s	Nov., 1924	97⅝	6.60
*Hocking Valley 6s	Feb., 1924	94¾	7.70
*Lackawanna Steel 1st Conv. 5s	April, 1923	94	7.00
Pennsylvania Company Guar. 4½s	July, 1921	97½	6.30
*Philadelphia Company 6s	Feb., 1922	93	10.10
*Southern Railway 6s	March, 1922	93	10.00
*Union Pacific Conv. 4s	July, 1927	85¼	6.60
*Virginia Carolina Chemical 1st 5s	Dec., 1923	93½	6.85

(*) Issues preceded by asterisk are, in writer's opinion, relatively the better purchases in each group.

Trading Scene on the Paris Bourse

The Bourse has almost as wide and varied an assortment of listed stock as the London Stock Exchange, as the thrifty French investor has always proven willing to finance operations in foreign countries.

German Municipal Bonds Attractive

Profit Possibilities in Exchange—German Municipal Stability

IT WAS the late Mr. Frick, leading financier and philanthropist, who stated that city securities are to be regarded as among the safest investments. Whatever changes may take place in the administration of a whole country, the city governments are not likely to be affected thereby as regards their property, taxing power, and other sources of income. This is true also of bonds issued recently by a number of German cities, which "haften mit ihrem Vermoegen und mit ihrer ganzen Steuerkraft fuer die Sicherheit der von ihnen eingegangenen Verpflichtung" (guarantee the issue as to principal and interest with its property and whole tax power).

The present low rate of German exchange (at today's closing, December 18, the mark was quoted at 2.10c) adds greatly to the attractiveness of the purchase. A recent editorial in the Frankfurter Zeitung said that "material conditions in Germany do not at all warrant the phenomenal decline of the mark; on the contrary, they should point to a pronounced advance." Another very favorable feature is the fact that the securities acquired by foreigners are tax exempt except when held in Germany. The proposal made by the various municipal governments to improve a 2% tax on the coupons of the bank held "at home and abroad" has not been passed. Even if it were, it would affect the yield but slightly.

Brief Discussion of Issues

Table I presents a number of the more attractive municipal bonds, 1919 issues, the prices for which were taken from recent issues of the Frankfurter Zeitung and Koelnische Nachrichten, which represent the latest available quotations. These bonds are issued in bearer coupon form, in 1000 mark denominations and up, interest paid semi-annually. The latter may also be accumulated for a period up to and including four years, which ought to yield considerable profits with the improvement in the foreign exchange situation.

TABLE I—GERMAN CITY BONDS

Description	Price Abroad	Cost in Dollars at Current Exchange (Dec. 18)	Value in Dollars at Parity	Per cent Profit Exchange at Parity
Berlin 4's	97.50	$20.48	$232.05	1,133.5
Bremen 4's	90.00	18.90	214.20	1,133.3
Charlottenburg 4's	100.00	21.00	238.00	1,133.3
Dresden 4's	98.50	20.69	234.43	1,133.1
Duesseldorf 4's	97.50	20.48	232.05	1,133.1
Essen 4's	96.50	20.27	229.67	1,133.0
Frankfort 5's	99.50	20.90	236.81	1,133.1
Frankfort 4's, 1913 issue	....	....	.....	.....
Hamburg 4½'s	98.00	20.58	233.24	1,133.3
Government loan	....	....	.....	.....
Hanover 4's	99.00	20.79	235.62	1,133.3
Leipsic 5's	105.00	22.05	249.90	1,133.3
Munich 5's	105.00	22.05	249.90	1,133.3

Pre-War and Present Issues

It might be of interest to compare the 1919 German municipal issues with bonds issued by eight leading German cities in previous years. Quotations were obtained from the Berliner Boersen Courier and are the latest available. Table II gives a list of securities, as quoted on the Berlin Exchange, their value in American dollars at the current exchange, and their value with exchange at parity.

The list includes Berlin, the new republic's capital; Cologne, the German metropolis of the West; Breslau, the largest city in the East; Frankfort, the richest commercial and financial center; Duesseldorf, the growing industrial city; Charlottenburg, the rich Berlin suburb; Munich, the Bavarian capital; Leipsic, the largest city in Saxony, the Saxon center of commerce and industry, and Nuremberg, the centre of the German toy industry.

Sources of City's Income—Outlook

Those German cities whose bonds seem an attractive and sound investment, especially for those that are willing to wait for improved conditions throughout the new republic, derive most of their income from city-owned works, which include gas, water, and

TABLE II—PRE-WAR ISSUES

Description	Price, Berlin Exchange	Cost in Dollars at Current Exchange	Value in Dollars at Parity
Berlin 4's, '12	89.00	$18.69	$211.82
Breslau 4's, '09	....	....	....
Charlottenburg 4's, '12	95.80	20.12	228.00
Cologne 4's, '12	98.30	20.64	233.95
Frankfort 4's, '13	99.00	20.79	235.62
Leipsic 4's	....	....	....
Munich 4's, '14	96.25	20.21	229.08
Nuremberg 4's, '11	96.20	20.20	228.96

electric work, and the taxes imposed by the municipal government.

A clear picture of sources of income of a German city can be gained from Table III, which gives the sources of revenues for the German capital in 1915.

TABLE III—BERLIN'S SOURCES OF REVENUE

	Amount in Marks
City Property and Franchise	15,296,210
*City Works	223,677,430
Taxes	98,199,812
Education and Educational Institutions	7,546,220
Social Institutions	15,068,700
Administration Expenses	2,897,090
Debts	30,338,705
Miscellaneous	15,793,400

*Note.—Excludes electric works which were added later, and which ought to add considerably to the city's income.

AEROPLANE VIEW OF BERLIN

Before the war Berlin was a thriving community. Even today, although the capital of a badly beaten nation, it shows no war scars. Bonds of Berlin and Frankfort are considered interesting possibilities at present prices.

Advantages of Non-Callable Pfd. Stock

If Investment Conditions Change So That Low Interest Yields Become the Rule, the Holder of Callable Securities Will Be at a Disadvantage

Without question many of the new preferred stocks now being offered are excellent bargains, but according to this article those which are not callable at fixed prices are much better bargains than those which give the company the privilege of retiring them. The reasons are well worth considering.

FROM January 1, 1919, to Oct. 15, 1919, new issues of capital stock f industrial corporations in the United States totaled $1,129,807,100. Of this sum slightly more than one half or $606,-838,600 were *preferred* stock issues nearly all of which (and most other industrial preferred stocks which have been issued during the last ten years) reserved to the company the right to call such stocks.

It is, indeed, remarkable that in these times of extraordinary demands for money the investor, who holds the whip hand in consequence of such demands, has not as a rule required that new offerings of preferred stocks be non-callable.

Generally the *callable* feature of a stock is potentially a distinct disadvantage to the investor. Obviously, the better the character of an investment the more desirable it is to the investor that it be permanent. The fact that a stock is callable, of course, does not improve its security unless there is a sinking-fund provision; but such provisions in callable stock issues do not as a rule obtain.

Some Are Convertible

If a callable stock is convertible into the Company's common stock upon favorable terms to the holder of the former, that privilege would remove some of the objections otherwise inherent in callable stocks; since the conversion privilege sometimes proves of great value. But that privilege is not the rule. And many conservative investors would not exercise such a privilege; they want no common stock.

The premium at which a stock may be called is not sufficient, in most cases, to render the investment ultimately as profitable as one in a non-callable stock obtained on about the same terms in other respects. Most preferred stocks which are callable are such at 105 to 115; a majority perhaps at 110. Of course the longer the call is deferred the less will be the ultimate return to the holder.

A 7% stock, for instance, called at 110 seven years after it is issued nets on the investment about 8.43% if purchased at par. But compared with a permanent investment this return is considerably less than it would appear to be to many investors who are today readily buying callable stocks. Assume that a callable stock was purchased, at the time of its issue, in the year 1919, if it is called in seven years from date of issue such would be in 1926. At that time it is highly probable that money will be, at least in comparison with present day conditions, plentiful and cheap in the United States; "highly probably" it is stated. The investor is not a prophet; he cannot read the future of such investment conditions with certainty; the best that he can do is to understand strong probabilities.

On that theory, a few years hence—and it will be prior to 1926—the better grade of non-callable 7% preferred stocks will be selling between 125 and 150. (Obviously the market price of a callable stock, practically considered, will not exceed the figure at which it may be called.) And by 1926 if Liberty Bonds then reach a 3½% basis, as some experts predict they will, some of our high grade non-callable preferred stocks will be selling on a 4½% to 5% basis.

This is not a wild prediction; in years gone by it was not uncommon for our then better class of railway stocks to sell on less than a 4% basis. Nor was the country then as now the creditor of the world. In those younger days it required vast amounts of foreign capital; how familiar that term was. It is pertinent to observe, however, that if remarkable progress towards Europe's recovery should occur a comparatively few years hence, it would bring European government bonds into such a demand as would tend to prevent the high prices we have otherwise predicted for American securities.

Even today when the higher grade investment opportunities are in many cases unprecedented, how closely held are the better grade of non-callable preferred stocks! Some of the 6% issues of such stocks — for instance Ingersoll-Rand, American Beet Sugar, General Chemical, etc., etc., are justly regarded by their holders as choice investments (especially the first named). And what superior investments are such non-callable stocks as Galena-Signal Oil "Original" preferred, American Radiator preferred, United States Steel preferred, American Car & Foundry preferred, and others. These stocks should be distinctly more desirable to the investor than even such strongly secured issues, at present prices, as Bethlehem Steel preferred, Standard Oil of New Jersey preferred, etc., etc., which are callable.

Many Stocks Likely to Be Called

And why? A comparatively few years hence many stocks will probably be called; the capital released therefrom must be reinvested on a considerably less favorable basis than now obtaining. Opportunities for permanent as well as temporary investments in higher grade securities are now unprecedented in many instances, why not prefer the former?

Consider for instance the preferred stock of the Norfolk and Western Railway Co.; it is now selling around 67, or practically on a 6% basis; it has not sold at so low a price for many years past; and how much more is the inherent value of that stock today than formerly? And the same is especially true of such excellent investment stocks as Union Pacific preferred and Atchison preferred; the latter sold a few points lower in 1917 than at present. Those are non-callable stocks.

The future of the better class of American securities is the same in principle as that of the commerce and industry of the United States in general. There are, of course, solid grounds for conservative optimism. America, so to speak, is still the land of the morning.

But that serious reactions in general business will occur appears inevitable. The winds and tides do not always proceed in one direction. And the general laws governing the business world will reverse present conditions. How fraught the general situation is with abnormalities profoundly influencing investment conditions! They must pass.

That very reaction will probably tend to pile up huge and unprecedented amounts of idle or poorly paid money and capital. The better class of investments, especially high grade bonds and high grade preferred stocks, will then perhaps appreciate in price to an unprecedented degree. The pendulum will probably swing to the other extreme. In these assumptions a marked and not far distant currency deflation is anticipated, with resultant effects.

Perhaps many companies will then fail. The preferred stockholder therein will lose all or much of the investment. But even if a company is permanently successful the holder of its *called* stock will not, of course, be a partner in that permanent success. Yet he assumed, as all stockholders must, the *risk of failure*.

The chief beneficiary of the callable feature in a stock issue will be the *common* stockholder. That feature was primarily designed for the latter's benefit and he may say to the holder of the callable stock: "Heads I win; tails you lose."

HIGHER COMMODITY PRICES

"I do not think that all commodity prices have reached their peak," said Francis H. Sisson recently. "I base that conclusion on many facts, foremost of which is world scarcity of goods. Years will pass before the world production can again become normal.

"Europe has only 55 per cent of its food requirements. Europe's shortage of coal is in excess of two hundred million tons—and that means, of course, greatly decreased production. Europe must have these necessities and consequently there is seemingly little prospect of materially reduced prices, at least for the immediate future."

U. S. Steel on Threshold of Prosperity

Indications of Prospective Boom in Steel Industry—Strong Cash Position of the Mammoth Corporation—How Steel Was Dehydrated—Is the Industry Outgrowing Its Leader?

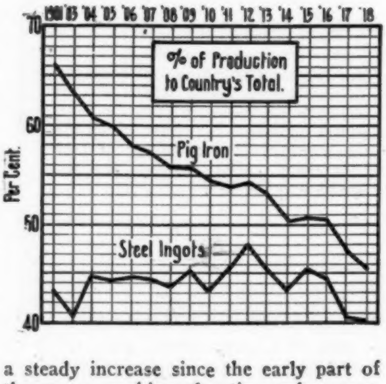
By MAX GOLDSTEIN

HAVING beaten down successfully one obstacle after another, the steel industry is now in a position to enjoy the prosperity toward which it has slowly been working since the beginning of the year. In the first few months, the great preoccupation of steel men was the inevitable readjustment of their plants from war-time work to peace needs. It is estimated that during the war U. S. Steel's plants were turning out 90 per cent. of war work to 10 per cent. of other production.

Scarcely had these difficulties been overcome when the steel strike came along, apparently with a bark worse than its bite. It caused considerable inconvenience to the industry, however, though it was at no time an overwhelming menace. No sooner was the greater part of the fear of the steel strike disposed of than the coal miners went out on strike, forcing the steel companies to cut heavily into their coal reserves, and latterly compelling several plants to shut down entirely for lack of fuel.

One by one, however, all these hindrances have been surmounted, and the steel industry finds itself with a good accumulation of orders already on the books, prospects of large additional tonnage through the revival of construction and the prospective purchases of the railroads when they are restored to private ownership, and with more European orders than can conveniently be taken care of, in spite of the disadvantageous exchange rates. Should an effective scheme for the correction of exchange difficulties and the extension of long-term credits be evolved, orders from this source may swell the production of the steel plants of the country to capacity.

As will be seen by reference to the page of charts of "The Trend in Money, Prices and Production" on another page of this magazine, the backlog of unfilled orders of U. S. Steel has been showing



a steady increase since the early part of the year, marking the time when cancellations of Government orders began to be balanced by new orders for private account. The curve also shows that over a period of years, unfilled order tonnage tends to increase and decrease in waves, and that from this point of view Steel is now beginning its climb along the upward branch of the curve, which is likely to extend for some years ahead, barring, of course, some unexpected disaster.

Trend of Earnings

The same outlook is indicated by a study of the trend of earnings for the current year. In the first quarter U. S. Steel earned on the common $33,513,384; in the second quarter, $34,331,301, and in the third, $40,177,232. Net income for the last quarter will undoubtedly show the results of the steel strike and of the interruption to operations caused by the coal strike, but the general tendency is decidedly upward. For the first nine months Steel earned $7.92 on the common per share, indicating earnings for the year of $10.56, which is more than enough for present dividend requirements of $5 a share.

The decline in annual earnings which has been shown since the banner year of 1916 will continue when the complete earnings for 1919 are reported, but a closer study of the tendency shows that because of the various handicaps enumerated above, this year's figures do not give a fair measure of Steel's earning capacity under present conditions, and the probability is that next year will make a decidedly better showing.

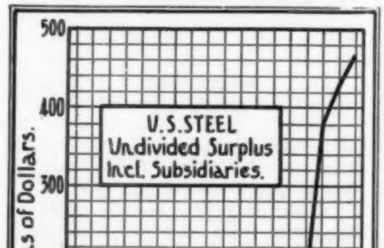
What Is Steel's Property Really Worth?

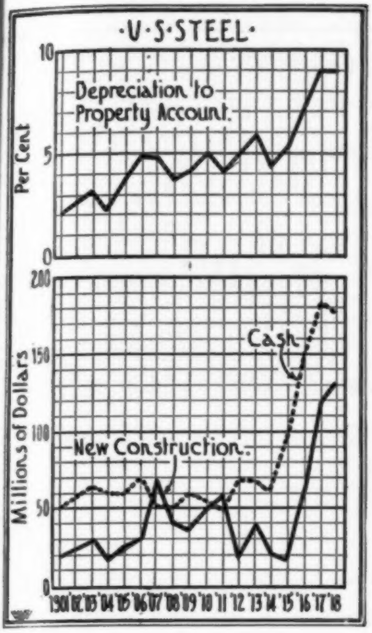
One of the moot questions of the Street in times past was to what extent the common stock of U. S. Steel represented actual property values. In a previous study of the corporation in this magazine some time ago, the writer estimated the actual property values behind the common by taking at its face value, as stated in the company's balance-sheet, the property account for the year 1917, and working backward by subtracting for each year the amount spent for new construction. The necessity for some such method is indicated by the fact that the property account, according to the books of the corporation, has grown only $238,670,000 between 1901 and 1918, while the total spent for new constructions and acquisitions in the same period was $801,000,000. By this method it appears that in 1901 the property account was sufficient to cover the par value of bonds and preferred stock outstanding, leaving the common to be protected only by net current assets. Since that time, however, assets back of the common have grown till they amount to $235 a share at a most conservative estimate.

In this connection a very significant statement was made by Judge Elbert H. Gary when he testified before a committee of the United States Senate that the properties of his corporation were worth at least $2,250,000,000. This would put the property value of the common at $260 a share, and together with the net current assets, about $365 a share. The figures above given, therefore, are to be regarded as the most conservative possible valuation of U. S. Steel's property value.

The way in which the "water" alleged to exist in Steel common when it was first issued was gradually squeezed out is shown by the attached graphs, showing the gradually increasing amounts spent on new construction, and the rising percentages of the total property value expended on depreciation funds. U. S. Steel's conservative policy is thus vindicated by the great values back of its common stock at the present time, although it is probably true that at the time of incorporation the common represented nothing but prospective earning power.

Back of these figures for new construction and depreciation is the company's policy of plowing back earnings to a





large extent into the property, although during the flush years of the war it did pay liberal extra dividends, as shown on the graph of earnings and dividend payments herewith. The area enclosed between the line showing earnings and that showing distributions to stockholders marks the accumulation of a surplus fund, which is registered otherwise on the balance-sheets of the company in the form of somewhat increased property account, new investments, particularly in Liberty bonds, and as undivided surplus, exhibited in another chart.

The amount spent on repairs annually shows a steady increase, roughly following the curve for depreciation expenditures. This is a further indication of the physical stability of the assets behind Steel common.. Since incorporation the company is said to have spent $735,050,716 on repairs, or over $144 a share, more than the dividend payments on the common amounted to in that time.

Financial Position

Working capital at the last general accounting was $548,724,781, or over $100 a share for the common, compared with an original working capital of $138,110,545 in 1901. At the same time the funded debt, strangely enough, shows a slight decrease, from $582,646,169 in 1903 to $551,000,677 on Dec. 31, 1918. Surplus account shows a great increase from $25,000,000 in 1901 to $466,888,421 in 1918.

These figures would seem to indicate that U. S. Steel is in position to take care of any business that may come its way, being well fortified with working capital, its plants in good condition, and its fixed charges actually decreased by the reduction of its funded debt.

At the same time the efficiency of the plants, as measured by ratio of operating expenses to gross revenue, has shown a decided improvement in the face of increasing costs and Governmental regulation of the price of its products for a time during the war. In 1903, the first year of record, this ratio was 76.3 per cent., and the year after 79.5 per cent., while the average for the past three years has been about 65.1 per cent. In view of the aggravation of the high costs and of the difficulties mentioned above, and also of the voluntary price-fixing agreed on in conference with Secretary Redfield last March, it is probable that this year's figures will be somewhat higher. All in all, however, the company's operating showing has been very good, and argues that in the future, with a greater volume of business, the company's earning power may prove considerably better than this year.

Statistically, there is only one important factor which seems to be operating to the disadvantage of U. S. Steel. This is the declining ratio of its production to that of the country as a whole, as shown by the accompanying graph. It has been suggested that this is because the corporation is too unwieldly, too far ahead of its time in the way of industrial centralization. It seems to be true, also, that the steel industry has grown faster

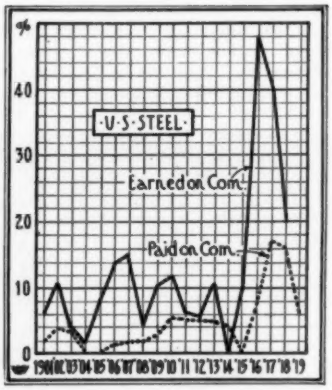
STEELTOWN AT NIGHT

The flares of the huge steel furnaces, overhung with a pall of smoke that blots out the stars at night, indicate the increasing activity of the industry

STRAIGHTENING A HOT RAIL

How a delicate operation involving the handling of tons of white-hot metal is performed in a U. S. Steel plant—dangerous feat requiring the highest type of skill

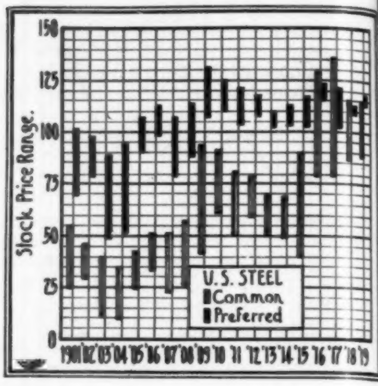
than its leading company, for while accurate figures are not available, there is little doubt that the capacity of U. S. Steel has increased greatly since 1901. At the same time, however, the steel industry as a whole has grown still faster,



following the increasing industrial growth of the United States.

It may have been with a desire to counteract this tendency that the corporation has been refusing to increase prices of its products, while the smaller companies, following the steel and coal strikes, were announcing advances in one line after another. In any case, the very fact that the huge company can no longer be said to be controlling prices in its industry will probably operate to remove the charge of "trust" that has often been aimed at it, and so may ultimately be to its advantage, as long as its own plants are fully occupied.

The legal status of the corporation with reference to the Sherman anti-trust law is now being considered by the United States Supreme Court, in a continuation of a suit brought by the Attorney-General before the war, but suspended during the war to allow the Government to take full advantage of the centralized and powerful industrial weapon for waging



war which was the function of the corporation from the declaration of war to the armistice. Even an adverse decision by the Supreme Court, which would compel a dissolution, might not result to the eventual disadvantage of stockholders.

Has Baltimore & Ohio Discounted Adversity?

The Road's Romantic History—Recent Handicaps—Few Bonds Maturing Before 1925

By **L. F. GEORGE**

THE Baltimore & Ohio is the oldest railroad in the United States, and the first in the world to do a general passenger and freight business. Incorporated on February 28, 1827, it has preserved its original charter intact for over 90 years. Construction was begun on July 4, 1828, and in 1830 the company was operating 23 miles of road. The first steam train was run over the line on December 1, 1831, at which time the road was 73 miles in length. Previously, horses and even sail cars had been relied upon to furnish the motive power.

There is little to chronicle in the history of the company prior to the Civil War having any bearing on its present position. The Ohio River had been reached in 1853, and in 1857 connections were obtained with Cincinnati. It was not until 1871 that through trains were operated to Cincinnati, Louisville and St. Louis; and in 1871 the line reached Chicago. The road was the fifth trunk line to reach that city.

The Great Rate Wars

Almost immediately the company became involved in the first of the great rate wars, so frequent during the next twenty years. In fact, it has been stated that the company initiated the cutting of rates as a result of a dispute with the Pennsylvania concerning the terms upon which it should use the latter's tracks into New York. At this time its lines ended at Baltimore, and it was not until 1883 that, as a result of continued disputes with the Pennsylvania, it was decided to build into New York. A line was constructed from Baltimore to Philadelphia, and a working agreement was relied on with the Reading and the Jersey Central to carry its traffic from Philadelphia to Jersey City.

The rate wars were continued for over twenty years. At one time it was possible to travel from New York to Chicago for $7, although it cost $16 to return. The Grand Trunk once quoted a rate of $5 from Boston to Chicago, and the Pennsylvania offered to carry immigrants from the coast to Chicago for a dollar a head. Rates on wheat fell from 40c to 12½c, while it was figured that 15c only covered the actual cost of transportation, even leaving out of consideration maintenance charges.

To such lengths was the cut-throat competition carried, that many roads found it more profitable to refuse certain classes of freight; some roads were even credited with shipping business over rival lines, so that their competitors would be the ones to suffer from the zeal of their traffic soliciting departments. While cutting rates in this suicidal fashion, the roads endeavored partly to recoup themselves by charging excessively for local business, and business from places where they had a monopoly of the transportation privileges. Naturally, this soon resulted in the embitterment of the communities served and from this arose the hostility to the railroads, resulting in repressive legislation which is still bearing fruit.

The Baltimore & Ohio, being on the whole somewhat more aggressive than the other roads, felt the reduction in revenues due to the rate wars a little more keenly, and by 1888 it had become clear that the road was drifting towards bankruptcy. The owners were disinclined to apply heroic treatment by the means of a reorganization; instead, new capital was furnished, which served only to defer the inevitable day.

In 1896 the Baltimore & Ohio was placed in the hands of a receiver, where it remained for some three years. During this period a vigorous policy of reconstruction was undertaken. The fact that the receivership was terminated when the nation was at the beginning of a period of great prosperity was of material assistance in enabling the company to make a great start. Largely due to President Cassatt of the Pennsylvania, the rate wars in the East ceased about this time.

B. & O. BOND MATURITIES
(000 omitted)

	Regular Maturities	Equipment Maturities
1920	$361	$3,882
1921	....	3,650
1922	2,221	3,500
1923	....	2,500
1924	3,000	1,500
1926	....	1,500
1927	....	1,000
1929	35,000	
1930	1,959	
1931	2,728	
1933	68,250	
1936	2,890	
1937	4,941	
1941	43,000	
1942	3,000	
1948	82,000	
1950	228	
1959	16,251	
1990	3,873	
1995	63,301	
	$464,029	$19,032

Common Stock	$152,317,468
Preferred (4% Non-Cumulative)	58,863,276
Total Stock	$210,180,744
Total Bonds and Stock	$693,241,574

Coal Traffic

The lines of the Baltimore & Ohio, in connecting the most important cities of the East, traverse ten important coal areas, comprising ten million acres of gas,

steam, by-product and coking coals. Taken in conjunction with the natural gas fields, the bodies of iron, limestone, shale and clay, and the mountains of glass sand in its territory, these traffic possibilities place the road among the foremost industrial carriers in the country.

Bituminous coal furnishes over two-fifths of the total tonnage and another two-fifths is divided equally between other mineral products and manufactures. Coal is the basis of the traffic of almost all the railroads, and, everything considered, is subject to less fluctuations from year to year than any other class of freight. A solid basis of enduring prosperity is laid by any railroad which has a heavy coal traffic.

There are times when benefits become hindrances. The Baltimore & Ohio experienced such a condition during the late war, from the fact that it had such direct lines from some of the largest coal fields to the manufacturing centers, and to the seaboard. In the annual report to the stockholders, President Willard makes the following comment:

"To reduce the distance coal was hauled, there was a zoning of the various coal regions, and because of the urgent demand for war industry purposes of coal from the West Virginia, Pennsylvania and Ohio coal districts served by your property, the Director General ordered that the coal traffic be developed and preferred to the exclusion of traffic of a higher rate class normally tributary to your lines. . . . As the average rate per ton per mile for bituminous coal is 529/1000 cents as compared with an average of 964/1000 cents for all other classes of traffic, the serious disruption of traffic upon your lines was reflected in the greatly increased operating ratio for the year 1918 over the previous year."

Many stockholders are asking the question, "How did the railroads actually fare last year?" and it is with this in mind, that the accompanying table of the Baltimore & Ohio earnings has been prepared. This shows that the road reported a deficit of $9,547,000 after fixed and other charges, although allowed the equivalent to 5.68% for the common stock under the Government Standard Return.

It is well to look for the cause of this decline in net earnings. It is certainly not due to any decline in Revenue, as the income from Freight Traffic shows an increase of $22,000,000, and Passenger Traffic, $10,000,000 or almost 50%, and the total revenue showed a gain of $36,500,000, an increase of 25%.

If you will look to the Expenses of Operation for 1918, it will show large increases over 1917, starting at the top of the list, Maintenance of Way was increased over $10,000,000, Maintenance of Equipment gained $21,000,000, and Transportation nearly $20,000,000. Such an increase as $50,000,000 in the cost of operations is a staggering blow for the operating department of any railroad to face. The figures for the first nine months of the current year show an increased cost of operation of approximately $11,000,000 over the same period of 1918.

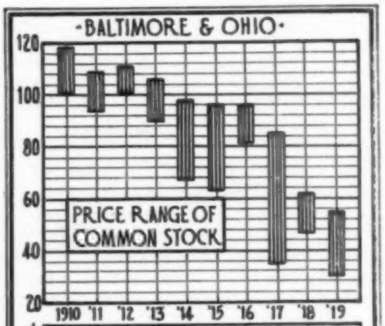
Earnings during October showed a healthy increase both in gross and net. Net earnings for the ten months to October 31, 1919, are $2,245,000 behind the corresponding period of 1918, but should the net earnings for November and December continue at the October rate of increase, they would more than overcome this decrease by the end of the year. The company will again have, under the Government Standard Return plan, a surplus equivalent to 5.68% on the common stock.

BALTIMORE & OHIO INCOME ACCOUNT

(000 omitted)

REVENUE	1918	1917	1916	1915	1914
Freight	$129,047	$107,174	$95,596	$70,780	$76,398
Passenger	30,677	20,704	16,743	14,059	15,889
Mail	1,314	1,662	1,346	1,236	1,214
Express	5,168	3,374	2,638	1,818	1,850
Other Trans. Rev.	2,460	2,475	2,308	1,691	1,735
Rev. Other than Trans.	5,524	4,462	3,159	2,229	2,075
Income from Sec.	3,905	4,325	4,403	3,735	4,693
Other Non-Oper. Inc.	3,075	2,165	1,802	1,525	1,440
Total Income	181,171	144,660	127,998	97,075	105,297
Changes	Inc. 25.24%	Inc. 14.33%	Inc. 31.85%	Dec. 7.80%	
EXPENDITURES					
Maint. of Way	25,775	15,022	15,481	8,985	12,418
Maint. of Equipt.	48,904	27,100	24,265	16,002	17,149
Traffic	1,964	2,505	2,194	1,905	2,152
Transportation	78,846	59,316	42,354	34,254	39,985
Misc. and Gen. Oper.	5,126	4,179	3,563	2,785	2,696
Tax Accruals	4,784	4,663	4,167	3,289	3,236
Uncollectible Rev.	20	26	41	18	....
Hire of Freight Cars	1,070	3,548	1,812	1,121	847
Int. on Funded Debt	19,061	18,474	18,452	14,480	14,344
Int. on Unfunded Debt	1,230	349	259	1,583	1,404
Other Deductions	3,962	2,628	2,302	1,877	1,812
Total Deductions	190,718	136,565	114,814	86,294	96,046
Changes	Inc. 39.05%	Inc. 18.90%	Inc. 31.89%	Inc. 10.15%	.....
Net Income	*9,547	8,095	13,184	10,780	9,250
Changes		Dec. 38.60%	Inc. 22.30%	Inc. 16.53%	......
Sink. Fd. and Other Res.	32	65	89	57	49
Div. for Pfd. Stock 4%	2,354	2,354	2,354	2,354	2,354
Bal. for P. & L.	*11,933	5,675	10,740	8,368	6,845
Changes		Dec. 47.16%	Inc. 28.35%	Inc. 22.25%	......

*Deficit. Under the Government Standard Return the road showed earnings in 1918 equivalent to 5.68% for the Common Stock.



No Common Burdens

However, there is little hope of any early resumption of dividends on the common stock, regardless of the length of time the road is operated by the Government. In June, when the issue of 10-year secured notes was brought out, the company agreed with the bankers, that the indenture should require road to set aside, after paying fixed charges, $3,500,000 annually, until $17,500,000 had accrued. This sum is to be used entirely for capital expenditures heretofore made, or to pay maturing funded obligations. Deducting such an amount, even under the Government Standard Return as shown this year, would only leave slightly over 3% for the common stock.

The fate of the Baltimore & Ohio, along with a large proportion of the railroads, is up to Congress. President Willard recently stated that any legislation that would take care of the majority of the roads would be satisfactory to the Baltimore & Ohio. The reports of 63 railways for the nine months ended September 30, 1919, showed that only eight during this period have earned an amount equivalent to the Government guarantee.

This is too large a percentage showing a decrease to keep the roads operating on the present freight rates

Taking the above items into consideration, one can not help but feel that the future holds out quite a bit of encouragement for the owners of the Baltimore & Ohio securities. The bonds seem safe and have declined to bargain prices. About the worst thing that can happen to the preferred stockholders is that their dividends may be discontinued, although this will not be definitely known until the meeting of the directors in February. The preferred has already declined to a non-dividend basis. So that any actual statement as to putting back surplus earnings into the property, would very probably have a bullish effect upon stock issues.

Chicago Pneumatic Tool Expands

Readjustment Places Company on Better Basis — Bethlehem Steel Interests Associated with It—Growth of Working Capital and Earnings

OLD companies made over and reinvigorated by the great business of the past four years are common enough and the general features of these rebirths are familiar to all who follow the welfare of the producing corporations of the country. Yet to those specifically interested in the development of any one company, the story is always of pertinent interest, and, naturally enough, of particular importance.

It is not a rarity to find an old corporation with proven earning power and established markets for its products, whose securities are little known to the public. When the stock of the Chicago Pneumatic Tool Company was listed on the New York Stock Exchange in June, 1918, it might be said that the shares entered a bid for attention, which might well have been made earlier, if the record of the corporation is any guide. The stock had been on the Chicago Stock Exchange for years, but the market had been rather limited and the shares known to comparatively few.

Chicago Pneumatic Tool is not a new concern, not a tyro in the industrial field, but a corporation which was organized in December, 1901, to manufacture air compressors, pneumatic tools, electric tools, etc. Later, activities broadened and business became more diversified, when in 1911 the company began to make commercial trucks and railway motor cars. The motor truck sold by the corporation goes by the name of the Little Giant truck.

In these days when foreign trade and its possibilities command an attention equal almost to that given the domestic field, it is worth noting that Chicago Pneumatic Tool is no novice in the European markets. In fact, the company has plants located at Fraserburgh, Scotland, London and Berlin. The English company was quite active in Russia and shared the common fate in suffering heavily through the collapse of the Imperial Government. This has made necessary the setting aside of large reserves by the English subsidiary. There is also a plant at Montreal, Canada, and the facilities in this country include factories in Detroit, Cleveland, Chicago and Franklin, Pa.

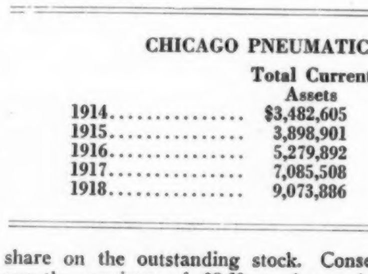
Charles M. Schwab is a director of Pneumatic Tool, as is Allan A. Ryan, who is likewise connected with the Bethlehem Steel Corporation in the capacity of director. In fact, Bethlehem Steel interests are closely interested in the company.

Earnings Record

Chicago Pneumatic Tool pursued a rather even tenor before the war, earning enough to pay $4 a share on the stock, but did not show a progress which would indicate interesting possibilities for shareholders. It was almost as if after a market for products were found, the management was satisfied to maintain this market and to hold its own and forget thoughts of substantial expansion. Then came the now familiar war development; business leaped ahead, greatly grew in volume, and in 1917 and 1916, the company earned a total of $32.70 a share on its outstanding stock.

There was a big drop in 1918, but a special reason therefor. An entire reorganization in management occurred, which strengthens the supposition of need for new blood, which the stationary trend, if such an expression be permitted, of pre-war earnings indicated. The new management found a considerable quantity of obsolete material on hand and made substantial changes in the accounting system. As a result of this general housecleaning, there was charged off from earnings in 1918, $872,413 on account of depreciation in inventories, bad debts, shrinkages and other items. This sum in itself was equal to over $13 a share on the outstanding stock. Consequently earnings of $8.30 a share, the amount shown in the annual report, did not begin to reflect the true inwardness of the situation, nor show the possibilities.

Hand in hand with business reorganization, and a better balanced picture of accounts went plans for expansion of plants. The Detroit and Cleveland factories were largely increased in capacity and the company went into 1919, as far as may be gathered from available information, in all-around excellent shape, particularly so as far as the situation at domestic plants was concerned.



Usually when a corporation goes through a readjustment, plots out expansion plans and reaches for a greater business, new money is necessary and Chicago Pneumatic Tool furnished no exception. In the fall of 1918 an issue of $3,250,000 First Mortgage 6% bonds was sold, and the proceeds used for additions to plant and for additional working capital. At the time of the sale of these bonds, the company had a small amount of the old 5% First Mortgage bonds outstanding and these were retired, so that the only funded debt is now constituted by the $3,250,000 6% serial bonds.

The Important Event

It remained for this year, however, to furnish the most interesting step in connection with the financial picture. Never, perhaps, have conditions been more opportune for industrial corporations to raise additional funds through the sale of stock instead of bonds and thus place the burden on optional, rather than on obligatory charges. On December 5, 1919, Chicago Pneumatic Tool shareholders approved the resolution to double the capital stock, raising it from $6,448,800 to $12,897,600. Shadeholders are offered the right to subscribe to this new stock at par, or $100 a share, on a share for share basis. This financing will put the company in possession of $6,448,800 additional funds and with this money it is proposed to retire the outstanding bonds and spend $1,775,000 on plant expansion, leaving $1,500,000 for additional working capital. As a result, Chicago Pneumatic Tool will have no capital liabilities, other than 128,976 shares of stock.

If expectations are borne out, and business goes ahead, as evidently is expected, it would seem as if this contemplated capital would not be unduly large. The additional stock will not be issued until next year and will have no bearing on dividend requirements for 1919.

The company has a dividend record extending back to 1902 and from 1910, paid $4 a share annually, until April, 1918, when the stock was put upon a $6 basis. This is the rate now current, but at this writing it is reported that there is a possibility of an increase to an $8 rate, which possibly may be inaugurated by the first of 1920.

When a corporation doubles its stock, and then the possibility of an increase in the existing dividend rate arises, the question naturally to be asked is whether increased dividends on increased stock are possible, and at the same time in keeping with conservative policy.

As Chicago Pneumatic Tool is using a substantial portion of its new funds to eliminate funded debt, interest charges will be saved, a considerable offset to the increase in dividend requirements on the larger capitalization.

CHICAGO PNEUMATIC TOOL—WORKING CAPITAL

	Total Current Assets	Total Current Liabilities	Working Capital
1914	$3,482,605	$588,898	$2,893,707
1915	3,898,901	917,725	2,981,176
1916	5,279,892	1,810,623	3,469,269
1917	7,085,508	2,920,185	4,165,323
1918	9,073,886	2,329,770	6,744,116

Earnings and Outlook

It is officially estimated that in the nine months ended September 30, 1919, the company would have earned $1,719,316, if results were computed without allowance for interest on bonds and borrowed money or sinking fund requirements. This may roughly be estimated as at the annual rate of $18 a share on 128,976 shares of stock, which would be three times the dividend rate of $6 a share on doubled capitalization and 2¼ times the rumored rate of $8 a share.

In connection with earnings, reference to the graph will indicate the trend of business for the past several years and the table will show how working capital has changed to keep pace with the expansion in business.

The range of Chicago Pneumatic Tool this year on the New York Stock Exchange has been from 68 to 113½. The high record was made in November and since then the shares have declined in sympathy with the rest of the market, but there was no wide open break.

While the stock is speculative, it would seem as if the combination of a now progressive management, better bolstered reserves and favorable outlook, should have the effect of increasing confidence in the shares, and of holding out hope of price appreciation, given favorable market conditions.

Packard's Strong Position

Growth and Development—Prospects for the Stock

THE gradual increase in the earning capacity of the Packard Motor Car Company and its subsidiary branches in New York, Chicago, Philadelphia and Buffalo, is no doubt responsible for a recent statement of President Macauley to the effect that the company will declare a 100% stock dividend, should the Supreme Court rule that stock dividends are non-taxable income.

Packard's Growth

This increase has been greatly facilitated by the company's investment in its branches and service stations located at New York, Chicago, Philadelphia and Buffalo, and by extensive additions and improvements which will enable it simultaneously to turn out three sizes of trucks, a 2-ton, 3-ton, and a 5-ton size. Heretofore it has had to run on one size until a sufficient quantity was on hand, then change over its tools, jigs, and fixtures for a run on another size. Finally the company began the manufacture of aircraft engines in 1918.

TABLE I—ANNUAL OUTPUT OF ALL VEHICLES

Year	Truck Chassis	Passenger Cars	Aircraft Engines
1914	803	2,809	——
1915	3,015	1,888	——
1916	5,295	7,982	——
1917	5,240	9,265	——
1918	8,043	5,194	3,585
1919*	6,964	3,397	4,375
Total, 1914-1919	29,360	30,535	7,960

*Estimated.

With these expanded facilities at its command, the company, whose cars and trucks have been and are marketed in larger volume than any other of the high-priced cars, is producing about 750 trucks and as many cars a month, and it is believed that after completion of the $1,750,000 addition now under construction, the monthly capacity will be about 1,000 trucks.

The accompanying table shows the annual output of cars for the period of 1914-1919 by the company and its subsidiaries.

The decrease in the production of trucks and cars in 1919 with respect to 1918 is not especially significant if we consider that during 1918 more than 70% of the capacity of the company's plant was occupied on Government business and that since January, 1919, the company has been manufacturing commercial cars and trucks.

More than 10 years ago the company was incorporated under the laws of Michigan, succeeding a West Virginia company of the same name which had taken over the business of Packard & White and the Ohio Automobile Company. The main plant of the company is located at Detroit, Michigan, embraces 116 factory buildings, completely equipped with most modern machinery, aggregating more than 300,000 sq. ft. of floor space, and employing 12,000 people.

The company has increased its outstanding 7% preferred cumulative stock to $15,500,000 out of a $20,000,000 authorized issue, and $11,840,930 common stock out of a $30,000,000 authorized issue, recently reduced to $10 par value. The preferred stock is preferred as to assets and dividends, and callable at 110 and accrued dividends on 90 days' notice up to August 31, 1939. No majority lien may be placed on the company's plant and equipment without the consent of two thirds of the preferred stockholders. The increased preferred stock will be used to retire the $5,000,000 gold notes which matured October 15, 1919, and to add to the working capital. On the common stock the company cannot pay dividends unless the quick assets after the payment of such dividend will equal or exceed 150% of the liabilities of the company and its subsidiaries.

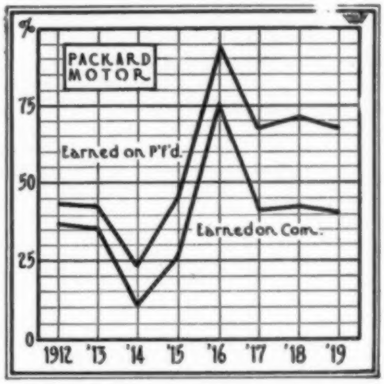


TABLE II.

Year Ended August 31	Gross Earnings	Net Income	Dividends On Pref.	Dividends On Com.	Cumulative Surplus	Working Capital
1913	36.71	21.57	7.00	——	30.06	92.46
1914	18.46*	9.44	7.00	28.17¶	14.86‡	77.87
1915	29.65	18.73	7.00	——	30.69	81.89
1916	45.96	31.50	5.69	42.62§	27.31‡	83.35
1917	38.89	27.28	7.00	7.75	47.03	94.01
1918	46.87	28.37	7.00	6.00	68.98	113.96
1919	36.14	27.44	7.00	13.00	85.82	167.38
Average, 1913-1919	36.10	23.48	6.84	13.93	43.54	101.56

*Due to the increase in the number of shareholders by 20,653.
¶Denotes special dividend on common stock, amounting to $2,000,000.
§Denotes special dividend on common stock, amounting to $4,591,630.
‡After payment of special stock dividends.

WORKERS AT PACKARD PLANT
During a period of upheaval in practically all industrial lines the Packard Motor Company prides itself on the fact that it has not had one strike

Outlook

Improvement in the labor situation which will enable the company to get sufficient steel, the gradual increase in the production of aircraft engines, the growing annual output of cars and last, but not least, the uninterrupted and increasing payment of dividends since 1909—all these factors point to a profitable business for the company.

Investors' Indicator of Industrials

The **dividend rate** given covers regular declared dividends on the yearly basis. Extra or stock dividends are noted from time to time in the comment column on the right, which also summarizes important price-affecting factors. The **yield on price** is based on regular dividends and the last reported sale or bid price before going to press. A minus sign before earnings' columns indicates a deficit for the year in dollars per share.

INTENDING PURCHASERS should make careful Comparisons, including former years. They should also read the Financial News and Comment for additional information. If a yearly subscriber, our Inquiry Department may be consulted.

Companies Which Have Reported for 1919.	Dollars Earned Per Share 1915	1916	1917	1918	1919	Present Div. Rate	Recent Price	Yield on Price %	
Amer. Agricul. Chem. com	10.97	20.57	21.11	35.01	10.34	$8	92	8.7	Labor, freight, costs, etc., increased.
Amer. Beet Sugar com	9.50	14.30	30.55	10.58	3.86	8	94	8.6	To operate several new plants.
Amer. Car & Fdry	.76	2.38	27.37	30.64	32.34	12	139	8.6	Common dividend reserve increase voted.
Amer. Hide & Leather pfd	7.38	12.64	13.56	18.35	20.73	7	114	6.1	Earnings at new high level.
Amer. Locomotive	—13.10	36.06	21.80	16.64	41.05	6	94	6.3	Large foreign orders reported.
Burns Bros.	12.11	10.03	21.27	18.35	13.70	10c	118	8.4	Heavy Winter buying.
Crucible Steel	5.39	45.80	42.12	48.25	31.29	12	209	5.7	Stock dividend expected.
Cuba Cane Sugar	.....	17.36	7.63	1.25	4.84	0	51	0	Sugar price rise expected.
Inter. Nickel	3.33	6.83	7.78	5.79	3.22	0	21	0	Plan to use nickel as silver substitute.
Pullman Co.	8.79	10.32	11.36	5.44	10.61	8	112	7.1	Contract with Packard Co. for auto bodies.
Va.-Carolina Chem.	7.55	10.39	10.92	24.24	18.09	4m	66	6.0	Additional plants at Charleston, S. C.
Westinghouse Electric	2.37	10.22	12.56	10.68	20.87	4	53	7.5	Going after foreign trade.

1919 Earnings Not Reported	Dollars Earned Per Share 1914	1915	1916	1917	1918	Present Div. Rate	Recent Price	Yield on Recent Price	
Allis-Chalmers	.....	0.49	8.59	11.37	11.62	0	46	0	Making drive for South American trade.
Amer. Can.	3.61	5.19	12.31	21.84	7.55	0	54	0	Business comparatively slack.
Amer. Cotton Oil	1.99	7.05	6.99	4.55	5.14	4	47	8.5	New bond issue sold.
Amer. Linseed	.....	.....	1.82	5.82	5.77	.75	68	1.1	Business better than ever.
Amer. Smelt. & Refg	6.51	16.80	31.73	24.14	7.29	4	66	6.0	Dividend fears unfounded.
Amer. Steel Fdries	.....	—1.20	19.89	30.19	13.69	3	45	6.6	Plants operating at capacity.
Amer. Sug. Refg	2.90	4.99	18.46	20.09	16.45	7**	136	5.1	Profits running high.
Amer. Tobacco	21.04	20.05	22.73	25.25	35.45	20	265	7.5	Acquired by A. T. Securities Co.
Amer. Woolen	—0.06	6.40	15.32	40.42	21.36	76	127	5.5	Recently received $25,000,000 order.
Amer. Zinc	1.53	54.92	139.52	11.08	—.26	0	16	0	Business hampered by steel strike.
Anaconda Copper	1.89	7.16	24.85	17.04	11.59	4	56	7.1	Operations interrupted by coal strike.
Baldwin Locomotive	—5.25	7.14	22.91	40.22	51.81	0	109	0	Output increasing.
Barrett Co.	10.31	21.19	32.84	20.54	18.77	8	125	6.4	Ready for huge "reconstruction" trade.
Bethlehem Steel	32.60	112.50	286.30	43.20	17.98	5c	90	5.5	Not affected seriously by steel strike.
Butte & Superior	5.21	33.37	31.79	0.94	2.17	0	27	0	Copper situation improving.
California Petrol. pfd	11.54	7.80	8.44	12.44	16.43	7c	76	9.2	Brought in 61 new wells in September.
Central Leather	6.41	10.82	33.14	30.42	10.44	5f	95	5.2	Leather market dull.
Chino Copper	3.44	7.67	14.40	11.27	4.66	3	36	8.3	Dividends maintained though earnings decrease.
Colo. Fuel & Iron	.....	.....	5.97	11.15	7.51	3	40	7.5	Pueblo plant shut down.
Continental Can	10.69	12.05	22.38	32.63	13.86	7	89	7.9	
Corn Products Refg.	7.73	10.62	20.39	38.05	29.01	7	87	8.0	Granite City plant leased.
General Electric	11.12	11.57	18.31	26.50	14.77	8g	167	4.9	Unparalleled prosperity predicted.
Goodrich, B. F	5.62	17.17	12.76	14.50	25.67	4	81	4.9	Plans to retire 2nd pfd. stock.
Great Northern Ore	0.54	0.70	1.39	—1.50	3.02	0‡	37	0	Will benefit by improved iron demand.
Green Cananea Copper	1.97	1.04	7.05	5.05	6.87	0	34	0	Uses oil for fuel; not hurt by coal strike.
Gulf States Steel	.....	10.17	30.25	34.83	9.96	0	64	0	To enlarge wire mills.
Inter. Agricul. pfd	0.65	—7.47	9.80	9.31	14.89	5	81	6.1	
Inter. Harvester	.....	.....	.....	25.24	28.14	6	135	4.4	South Chicago plant closed by arrangement.
Kelly-Springfield	5.18	7.16	9.19	12.03	20.78	4h	139	2.08	Sales for 9 months of 1919 exceed entire previous year.
Maxwell Motor	0.30	6.55	30.18	30.72	5.71	0	34	0	Merger plan declared operative.
Mexican Petrol.	4.78	4.93	15.79	10.23	14.13	10	207	4.8	Mexican difficulties being smoothed out.
Miami Copper	1.65	4.56	10.39	6.63	7.04	2	22	9.0	Working at 75-80% of capacity.
Midvale Steel	.....	1.44	21.46	35.58	29.21	4	49	8.1	Labor troubles well in hand.
National Biscuit	11.75	9.52	8.10	9.87	11.63	7	115	6.0	Former large business reviving.
Natl. Enam. & Stamp	—0.32	2.02	11.67	23.39	13.94	6	86	6.8	Common dividend very conservative.
Natl. Lead	3.73	4.86	6.16	15.45	14.46	5	79	6.3	Maintaining 1918 earnings record.
Nevada Cons. Copper	0.74	2,78	7.51	4.93	1.70	1.50	15	10	Gradually returning to normal.
New York Air Brake	6.41	13.43	82.15	18.94	20.53	10	110	9.0	Domestic business slack.
Pan-Amer. Petrol	.....	.....	.....	5.80	5.58	6	106	5.6	New comomn stock issue contemplated.
Pressed Steel Car	0.14	3.60	15.00	10.04	24.61	8	100	8	Swamped with orders.
Railway Steel Spring	—0.42	3.09	20.49	32.32	18.38	8	96	8.3	Large European orders.
Ray Cons. Copper	1.65	3.08	7.65	6.60	3.05	2	20	10	Production increasing.
Republic Iron & Steel	0.56	6.50	47.67	51.88	22.22	6	110	5.4	Operating at 100% capacity.
Sears Roebuck	21.30	17.57	26.55	19.29	17.63	8	226	3.5	Big crops increase mail orders.
Sloss Sheffield	0.21	0.53	14.44	15.73	15.03	6	72	8.3	Not affected by strike.
Studebaker Corp.	12.79	27.46	26.14	9.11	10.39	7	105	6.6	Expected to earn $25 a share this year.
Tobacco Products	1.03	2.31	5.44	9.32	17.00	6j	89	6.7	Adverse decision in Sou. Pacific case.
United Cigar Stores	7.09	7.69	10.10	9.41	13.60	9	199	7.6	Contract closed with Sweets Co. of America.
United Fruit	6.19	16.12	27.97	26.72	28.01	10	202	4.9	Closing stores in Jamaica.
U. S. Cast Iron Pipe pfd	0.60	2.55	10.91	11.18	9.24	5	55	9.0	Merger with Iron Products Corp. denied.
U. S. Food Products*	2.28	4.64	10.30	14.83	31.13	2k	77	2.6	Has good prospects.
U. S. Industrial Alcohol	1.94	12.60	36.14	54.67	51.67	16	103	15.5	Capital increase ratified.
U. S. Rubber	9.18	10.80	17.75	28.83	30.86	8	125	6.4	Doing record business.
U. S. Smelt. & Refg	1.61	13.93	20.49	5.14	8.75	6	75	8.0	Acquired new property in Mexico.
U. S. Steel	.....	9.96	48.46	39.15	22.10	5n	104	4.8	Little affected by strike.
Utah Copper	5.34	11.03	24.46	18.46	11.66	6	73	8.2	Good outlook for future.
Willys-Overland	3.56	11.37	5.74	4.85	5.33	1	29	3.4	Now turning out 400 cars a day.
Woolworth, F. W	10.86	13.19	15.57	16.72	12.43	8	122	6.5	Sales continue large.

*Formerly Distillers' Securities Corp. **3% extra in quarterly installments. ‡No regular dividend; has made two distributions of $1 each and two of $2. b—10% extra. c—21% extra. d—2½% extra. e—2½% extra on accumulated dividends. f—2% extra. g—2% extra. h—75c. extra. j—10% extra. k—1½% extra. m—2% extra. n—1% extra. o—2% extra.

General Chemical and the Tariff

Its Position May Be Radically Affected by Pending Legislation—Big Earnings of the Past—Policy of Rapid Expansion Through Plowing in of Profits

By **WILLIAM T. CONNORS**

THERE is a very strong probability that the newly created dye-stuffs business in the United States will be granted satisfactory protection by tariff duties. The subject is slated for early consideration by the Senate, the bill having already passed the House. There is general agreement in both political parties that such a tariff is a necessity as protection against German competition.

Under this bill, foreign competitors would be so heavily handicapped that imports would doubtless be small. The American companies engaged in this line would thus be enabled to continue the development of the business with profitable results.

The biggest and strongest of the chemical companies is, of course, General Chemical. It was organized in February, 1899, as a consolidation of some of the largest chemical concerns then in existence in the United States. Since that time the company has acquired the entire capital stock of several Canadian and American chemical companies and also several American mining companies. The company also owns a one-third interest in the National Aniline & Chemical Company. It owns a fleet of tank cars and lighters for the transportation of its chemicals. The General Chemical Company of California was acquired in 1914 through an exchange of stock between that company and the present one. At present the company owns fifteen chemical manufacturing plants throughout the United States either in its own right or through subsidiaries.

Table I—General Chemical's Annual Surpluses "Plowed In."

	Cash Divs.	Year's Surp. in % on Stock	Stock Divs.
1906	2%	10.0	....
1907	4	11.6	....
1908	4	7.7	....
1909	4	15.4	....
1910	5	14.5	10%
1911	6	13.8	....
1912	6	15.7	5
1913	6	8.2	5
1914	11	7.7	.....
1915	11	38.3	....
1916	6	80.8	15
1917	28	44.7	....
1918	10½	26.5	5
1919	10½	....	....

The company has an authorized capital of $20,000,000 6 per cent. cumulative preferred and $20,000,000 common stock, of which is outstanding $15,208,000 preferred and $16,519,200 common. The par value of both classes of stock is $100. The company has no funded debt.

Rapid Growth

Table I, which shows cash and stock dividends and annual surpluses plowed in, indicates at once the big growth of the company out of its own earnings. From 1906 to 1918 the total of the annual surpluses plowed in, expressed for each year in the form of per cent. on the stock then outstanding, was no less than 295 per cent.—a most extraordinary record.

Beginning with 1910, stock dividends were declared from time to time. The owner of 100 shares at the beginning of 1910 had 146 shares at the end of 1918, and has also received—down to the end of 1919—exactly 100 per cent. in cash dividends, which means considerably more than 100 per cent. on his 1910 investment. In that year the stock sold between 93 and 109¾, so that he would have had no difficulty in buying his stock at par.

The company's war earnings were remarkable, having been as follows in per cent. for the common stock:

1915	44.3 per cent.
1916	86.8 per cent.
1917	55.2 per cent.
1918	37.0 per cent.

These earnings were after setting aside over $2,000,000 in 1917 and over $2,750,000 in 1918 for Federal taxes.

In 1919 the company has suffered from large cancellations of war orders. Nevertheless it is expected that the earnings will be nearly, if not quite, equal to those for 1918.

These big earnings naturally warrant a further distribution of stock dividends. Such distributions in the past have been very far from keeping pace with the growth of the company, as Table I shows. Since 1916 only 5 per cent. in stock dividends has been declared.

It has been announced officially that a further distribution will be made when the question of the taxability of stock dividends has been passed upon by the Supreme Court. It is expected that this decision will be handed down at an early date and many leading lawyers are convinced that such dividends will be declared nontaxable.

The company's total assets, as shown in the balance sheet, are now double those of 1913. Net working capital at the end of 1918 was $11,249,000 against $4,716,000 at the end of 1913. Net assets per share of common stock were $238 in 1918. The company does not include any intangible assets in its balance sheets, although of course it really has assets of this kind which are very valuable, though difficult to estimate.

Inventories have naturally risen very greatly, not only because of the bigger business being done, but also through higher prices of materials. They were $4,000,000 in 1914 and $10,614,000 in 1918. But reserves have been built up from $793,000 in 1914 to $7,000,000 in 1918. A part of these reserves is against possible depreciation of inventories. The company also has another reserve fund which it carries under assets, amounting to $1,268,000.

Rating of Stocks

The preferred stock is stronger than most bonds and now sells at a price to yield less than 6 per cent., so that it is not attractive as an investment for income. Its high price compared to its dividend is due to its scarcity in the market, as most of it is held by investors who bought it lower and are strongly attached to it.

Table II shows price range for the common since 1909. In the "war boom" a price of 360 was touched, and in the semipanic of December, 1917, the stock dropped to 153. The current market price is 190 bid 200 asked. When we see that the stock sold at 225 back in 1912, the present price does not look high, in view of the current dividend rate and the prospect of a stock dividend.

Table II—Price Range of General Chemical Common

	High	Low
1909	98	70
1910	110	91
1911	135	100
1912	225	128
1913	185	170
1914	180	160
1915	360	165
1916	350	265
1917	260	153
1918	185	165
1919*	201	163

*To date.

The common stock is, of course, entitled to a high investment rating. Its owner will never have to lie awake nights wondering what will happen to it next.

It should be remembered, however, that even a prohibitive tariff will not change the company's position much from that of the immediate past, since it has not been suffering from foreign competition during or since the war. The value of the tariff would be to assure the permanency of the company's present good position in the dye and chemical industry. Even without a tariff it could do a prosperous business, as its history plainly shows.

The Story of Replogle Steel

Has No Corporate History—Record of Wharton Steel—Possible Earnings

By **HENRY FRANKLIN**

IT usually takes more than a name to establish the shares of a corporation in public favor, but sometimes a name is a potent factor in commanding immediate attention for a new venture. In October last it was announced that J. Leonard Replogle had organized a steel company to be known as the Replogle Steel Company. The stock was offered for subscription by one of the country's leading banking houses, and according to common report was oversubscribed thirteen times.

Mr. Replogle first gained national prominence during the war, although he had long been known in the steel industry. He acted as director of steel supply at Washington and was recognized, during the period of emergency, as Federal spokesman on conditions in the iron and steel trade. Mr. Replogle is chairman of the board of the Replogle Steel Company and associated with him as directors are T. Coleman du Pont, Harry Payne Whitney, Harry F. Sinclair and Mortimer L. Schiff of Kuhn, Loeb & Company. With a directorate of this kind and with big banking support, it is easily understood why the stock, when it was offered to the public, went like the proverbial "hot cakes."

Replogle Steel as it stands has no corporate history, no record of earnings nor any of the usual guides to value. In a general way it may be said that the stock is selling on possibilities and faith that the present management will be able to make the company a substantial earner and to give it a sound place in the steel industry.

Total share capitalization of the company is 500,000 shares of no par value. There is no funded or floating debt. Of the 500,000 shares authorized, 250,000 shares were underwritten at the reported price of $50 a share and sold at $55 a share. The offering was made without much publicity and without propaganda that sometimes goes with the flotation of new corporations. Again it was a case of the name sufficing.

Replogle Steel was formed to take over the Wharton Steel Company and the Wharton & Northern Railroad Company. Some description of these properties is necessary in order to obtain a background for the Replogle Steel Company.

Wharton Steel Company was incorporated in 1907 and its activities are centered in Morris county, New Jersey, near Dover. In that section the company owns over 5,000 acres of mineral lands, has three pig iron furnaces and a concentrating mill. For some years before 1917 the properties were not actively operated, but early in that year Mr. Replogle and associates acquired ownership and resumed operation. The Wharton & Northern Railroad, a small line serving the mines and furnaces, was entirely owned by the Wharton Steel Company.

Wharton Steel had outstanding $3,000,000 capital stock, $1,200,000 first mortgage 6 per cent. bonds due 1923, and $1,200,000 6 per cent. notes due December 28, 1919. All of these securities are now owned by the Replogle Steel Company. Complete earnings records of the Wharton Steel Company at the time of incorporation are not available, and, in effect, would not be an absolute guide to the value of the property, because, as has been said, operations had not been regular and because, too, capital that is now back of the company was lacking. However, in the period from February, 1917, to December 31, 1917, the company reported a surplus of $370,687, after interest charges, etc., which was equivalent to between 10 and 11 per cent. on the $3,000,000 outstanding stock.

The income account of the Wharton Steel Company for the twelve months ended October 31, 1919, did not reveal a good showing. Revenue from sales was $1,887,860, and after all expenses, taxes, interest, etc., a net deficit of $546,854 was reported. The company had severe labor troubles this year, which must have been a factor in cutting down profits.

These figures are given merely as a superficial guide and not for the purpose of attempting to indicate the potential earning power of the company. This earning power is, of course, to be proven and of pertinent interest in this connection is the report on the properties made by James Gayley, formerly vice-president of the U. S. Steel Corporation. He estimated assured ore reserves of 100,000,000 tons of high grade iron ore. In making this statement, Mr. Gayley added that he believed these reserves would be materially increased as the ore beds are developed at greater depth. The report recommended the modernizing of the two large blast furnaces. When this is done, should the furnaces produce 30,000 tons of pig iron a month, the net profit should be $1,000,000 per annum, based on the prices of pig iron prevailing in recent months. In addition, it has been estimated that the Replogle mill, on an output of 450,000 tons per year, should show a profit of $1,800,000.

J. LEONARD REPLOGLE

These figures would indicate net profits of nearly $3,000,000 a year, or over $10 a share on the 250,000 shares of stock outstanding. It is assumed that these profits are estimated before allowances for Federal taxes.

There seems to be reason to believe that considerable improvement and expansion work will be done at the properties. No finished steel has ever been turned out and it may be that time will see the erection of mills, making the company a complete unit from the mining of the ore to the manufacture of the finished product.

BALANCE SHEET OF REPLOGLE STEEL CO.
As of Nov. 27, 1919

ASSETS	
Wharton Steel Co. capital stock, 31,450 shares, par $100	$2,044,200
Wharton Steel Co. 6% notes, due Dec. 28, 1919	1,029,000
Wharton Steel Co. 6% first mortgage bonds, 1923	2,796,000
Receivables	80,873
Cash	5,537,996
Total	$11,488,169
LIABILITIES	
Capital stock, 250,000 shares of no par value, stated capital and equity	$11,485,316
Vouchers payable	2,853
Total	$11,488,169

The stock of the Replogle Steel Company was listed on the New York Stock Exchange in November, 1919, and the table herewith outlines the balance sheet of the company as of November 27, 1919.

It will be seen that practically the only liability of the company is the capital stock outstanding and that assets consist of the securities of the Wharton Steel Company and a little over $5,000,000 cash.

While Replogle Steel was on the Curb, the stock sold as high as 62 and as low as 50 and its range on the Stock Exchange has been between 50 and 54. Admittedly, Replogle shares are speculative and their purchase must be based largely upon belief that the management is capable enough to make the company a substantial earner, with the material at hand, and with the expenditure of substantial sums for improvements and expansion. It is a stock which should be bought conservatively, and at the present stage is to be recommended as a commitment for only a portion of available speculative funds.

Interesting Position of Worthington Pump

The Cause of Worthington's Phenomenal Advance—Business and the War—"Plowing Back" Earnings—Conservative Balance Sheet—Prospects for Common.

By **J. B. COWETT**

THE heyday of the specialties earlier in the year brought Worthington Pump into the limelight. For years the stock was inactive, and, indeed, rather neglected. In February of this year it was around 50, where it apparently created no great public interest.

By October, Worthington, however, had advanced to 117, and as the stock moved rapidly forward, reports about its remarkable earnings, assets, business and dividend prospects flew thick and fast. The market action of Worthington showed clearly large accumulation, and the "pool" which moved the stock did excellent work.

In the recent break, Worthington declined to around 75, but it soon advanced to about 85, around which level the stock has since been fluctuating. The technical position of the stock at present bears very close resemblance to the conditions which existed before the sharp advance some months back. The reader may infer from the great emphasis placed on the technical condition and "pool" operation that the advance in Worthington was due entirely to market manipulation. To analyze the value of the stock is the purpose of the following article, but it should perhaps be made clear here that "pools" usually do not accumulate stocks that do not possess substantial merit, and that unless such stocks are chosen their operations would be considerably hampered.

WORTHINGTON'S ANATOMY.

Worthington Pump was incorporated in April, 1916, under the laws of Virginia, as a reorganization of the old International Steam Pump properties consummated in that month under a plan dated August 5, 1915. The properties of six other corporations engaged in about the same lines of business were also acquired. Excepting a few shares of common stock the entire capitalization of the Henry R. Worthington Corp. has also been secured.

The corporation as organized manufactures and sells all kinds of pumps and condensing, compressing and conducting machinery. It is one of the leading concerns in its line, and some of the products it turns out are triple-marine expansion pumps, meters, gas and oil engines, power pumps, compressors, lathes and mining machinery. There are in all ten plants, two of which are reported not to be operating, and the others specialize in the manufacture of one or more products.

Worthington holds a leading place in the line of products it manufactures, not only in this country but also in Europe. Its position in regard to European business has been materially improved by the merging of the James Simpson & Co., Ltd., and the Worthington Pump, Ltd., into one company styled the Worthington-Simpson, Ltd. The investment in the English company amounts to $485,100, and, in addition, the parent concern has about $165,645 invested in the capital assets of European continental properties. This latter figure is after liberal amortization to provide for any probable contingencies.

THE WAR AND BUSINESS.

Unfortunately, Worthington makes no statement as to its condition, excepting in its annual report, which is generally made public some time around March, after the annual stockholders' meeting. Hence there is hardly any official, and therefore authentic information, available as to the company's operations during the current year.

Table I herewith, presents the salient statistics of the volume of business, which shows clearly the impetus to the company's business furnished by our entrance into the war. The phenomenal increase in bookings came during 1917, and apparently a large volume of them came either late in the year or else the great flood of orders found the company unable to care for them. These deductions are evident from the large amount of unfilled orders at the end of 1917, and the expansion of more than 50% in billings during 1918.

The 1918 report states that about 85% of that year's output was directly or indirectly for Government use in the prosecution of the war, and all was in the regular line of business, with the exception of some articles of ammunition. The 1917 and 1918 reports frankly acknowledge that the European war caused an expansion in business far in excess of expectations, and that the plant facilities were not capable of handling it.

Conditions demanded practically doubling the size of the Blake & Knowles Works for the manufacture of pumps for the Navy; enlargement of the Jeanesville Iron, and Hazelton Works, for the manufacture of ammunition, and an iron forging plant was added at the former. These three properties were among the six that had been acquired at the time of incorporation in 1916. The Government paid for the construction and equipment at the Blake & Knowles and the Hazelton Works, and the corporation is under no obligation as to these, excepting that it is under contract to purchase these improvements at their fair value to the corporation at the time title to them is taken. During the two years, 1917 and 1918, about $4,290,300 was appropriated for additions and betterments by the corporation.

Cancellations and adjustments amounting to approximately $6,117,870 followed the signing of the Armistice, leaving a balance of unfilled orders of $26,161,860 on hand as of December 31, 1918. The 1918 report has the following to say as to the effect of the termination of the war on the company's business:

"The cessation of the war and the complex conditions existing in Europe have caused, at least for the present, a natural hesitancy in proceeding with the development of new projects in the engineering lines from which this corporation receives its largest share of new business; and also have brought difficult problems, including among others a rearrangement of the manufacturing schedules at all of the works of the corporation. Fortunately, a substantial volume of business in the regular lines of manufacture remains on the books at the beginning of the year; and the bookings since the signing of the armistice compare favorably with those of the years prior to the European war. A reasonable volume of work is therefore assured for the present. It is anticipated that with the return of normal conditions in America, and the adjustment of the difficulties in Europe following the signing of the Peace Treaty, at least a fair amount of new business may be expected for the year, and that the foreign trade will gradually increase in volume."

According to the official statement above, bookings since the signing of the armistice (up to the time the 1918 re-

TABLE I—VOLUME OF BUSINESS

	1919	1918	1917	1916
Bookings	....	$34,049,240	$61,130,570	$19,844,450
Billings	$16,000,000[1]	43,443,490	28,407,700	14,097,030
Unfilled Orders, Dec. 31	17,000,000[2]	26,161,860	41,834,780	9,234,720

[1]Unofficial; for first 6 mos. [2]Unofficial; as of July 31.

TABLE II—EARNINGS ON STOCK

	1918	1917	1916[1]
Sales Billed	$43,443,490	$28,407,700	$10,655,575
Cost of Sales	36,058,380	22,205,410	8,641,950
Operating Income	7,385,110	6,202,290	2,013,625
Net Income	3,600,000	4,718,910	1,582,490
Per cent earned on Pref. A	64.37	84.38	28.29
Per cent earned on Pref. B	31.08	41.93	12.49
Per cent earned on Com	19.93	28.54	6.35

[1]Nine months: April through December.

port was issued) compare favorably with those prior to the war. This is borne out by an analysis of the available statistics, partly unofficial. At the beginning of 1919 unfilled orders amounted to $26,161,860, and at the end of the first half of 1919, $17,000,000, a decline of $9,161,860. Billings during the first six months were $16,000,000, so that bookings during this period were somewhat less than $7,000,000, or about $14,000,000 per annum, which is slightly in excess of the pre-war figures, considering price advances.

Of course, it is to be hoped that a marked increase in bookings will soon appear, and the prospects are bright that such a condition will come to pass before very long. The world's shipping, especially tankers, should show good expansion over the next few years, and reconstruction in Europe and developments here will call for large amounts of the products that Worthington manufactures.

TABLE III—PLANT ACCOUNT, DEC. 31, 1918

Plant, Buildings, etc, April 1, 1916	$10,006,657
Additions, Betterments	4,613,157
	$14,619,814
Less Depreciation and Amortization	5,657,117
Net Value—Dec. 31, 1918	$8,962,697
" " 1917	10,649,048
" " 1916	10,757,806

Earnings on Stock

A discussion of orders is interesting and is basic in analyzing the value of a stock, but it is only preliminary to finding out how much the property makes on its production. Table II, herewith, presents the vital statistics of the company's income account, and the percentages earned on its stock issues.

The sales billed agree with those given in Table I, excepting for 1916, and there is really no discrepancy there, for the income account is for nine months only. In the later two years, cost of sales include all maintenance charges, depreciation and amortization of plants and equipment, selling, general and administrative expenses, whereas in 1916, depreciation is deducted from gross income. An unqualified comparison of the amounts of sales billed and the cost of sales for each of the three years would on their face lead to the opinion that the operating efficiency of the concern has been moving downward, but such a study can hardly be considered conclusive.

As practically the entire 1918 output was for the Government, it is quite natural to assume on the basis of the experience of other corporations that the margin of profit received from such work was not so large as that obtained from private parties or foreign governments. Also the company set aside increasing amounts for depreciation and amortization in each year during this period. The indications are that the operating efficiency is on the upward grade, and this is seemingly corroborated by the unofficial reports of large earnings on the basis of a much reduced business during the current year.

In the three-year period ended December 31, 1918, the corporation set aside $5,657,117, equivalent to about $45 a share of common, for depreciation and amortization of construction and equipment. The amount set aside in 1916 was $534,192. In the following year it was increased to $1,606,925, enlarged operations and the costs of new construction and equipment making the increase necessary. For the 1918 year, the amount set aside was further increased to $3,516,000, to provide for depreciation and amortization of plants and equipment constructed chiefly to manufacture war materials. In addition, a $1,500,000 depreciation reserve was set aside in 1917.

The amount appropriated for Federal taxes in 1917 was $1,500,000, and in 1918, $4,500,000. The exact sum that the corporation will have to pay the Government is not yet known, at any rate by the public, but it is unofficially stated that should be a substantial drawback for Worthington on account of taxes.

The percentages earned on the three stock issues are impressive. In the three years (less three months) about 55% was earned on the common stock, after liberal "write-offs" and deductions, and all of the money earned on the stock has been "plowed back" into the property. This figure will undoubtedly be increased quite materially during the current year, as the stock is still a non-dividend payer, and 1919 earnings, while not definitely known at present, should be rather large.

Interesting Balance-Sheet

The handling of the plant account is very conservative, and is one of the most interesting phase of the whole balance-sheet. The cost of the plants, buildings, machinery, equipment, patterns, drawings, etc., at the time of incorporation was $10,006,657, besides which about $4,600,000 has been expended in additions and betterments. Still in spite of the enlarging of the capacity, and the sharp advance in reproduction costs, the net value at the end of 1918 is carried at more than $1,000,000 below the original value, due to a most conservative policy of depreciation and amortization, chiefly in the case of construction put up for the manufacture of war materials. Unofficially it is stated that fixed assets are carried well below replacement costs.

Another interesting phase of the balance-sheet is the relation between working capital, inventories and cash. Table IV, herewith, presents the vital facts to study these relationships. The cash requirements have, of course, been heavy to meet the great expansion in operations and the consequent necessity to carry large inventories. These requirements have been met through profits developed from the business and through the cash advances against work in progress. The inventories as given among the current assets include not only raw materials, but also work in progress, and they form a little more than half of the total current assets (in 1918). The inventories are carried at costs, which figures are undoubtedly very conservative, and provision has been made for any possible depreciation in their market value.

Worthington's cash position does not apparently appear to be very strong, but it must not be forgotten that the cash balances are not very large because of the great activity and expansion of the business. Such a condition may not conduce to immediate, large dividends, but in the long run it should prove a favorable point for the stock, for the money is being kept where it is building the foundation for larger and more permanent values. At the end of 1918, in addition to the $1,953,448 in cash, the company held $3,359,600 in Liberty bonds, about one-third of which were being carried for employees on the instalment plan, and both cash and Liberties formed about 20% of the total net working capital.

Net tangible assets for the preferred A issue at the end of 1918 amounted to about $560 a share; preferred B, $225; and common, $93. The asset value of the common is now undoubtedly in excess of $100 a share. Net quick assets at the end of 1918 were about $150 a share for the common, and is now unofficially estimated at about $200. These figures are before deducting the outstanding amounts of preferred from working capital. If these deductions are made, the net quick assets per share of common at the end of 1918 were about $30.

TABLE IV—WORKING CAPITAL

Dec. 31,	Net Working Capital	Inventories	Cash	Advances Against Work in Progress
1916	$9,331,781	$6,854,867	$916,730	$1,087,500[1]
1917	15,065,548	10,759,305	2,123,121	2,283,460
1918	19,006,169	16,443,043	1,953,448	3,222,064

[1]For ammunition

The Capitalization

Aside from about $611,000 of underlying bonds in which there is very little public interest, the outstanding capitalization consists of $5,592,833 of cumulative 7% preferred A stock; $10,321,671 cumulative 6% preferred, and $12,992,149, par value of all shares being $100. The preferred issues are quoted at 94 and 74, respectively, at which prices they yield in order 7.45% and 8.12%. Both of these stocks are good investments for income, and the latter, or junior issue, has good prospects for market appreciation.

The common at 85 looks like an attractive purchase for better prices, and in time for a moderately good income return. It is difficult to predict when dividends will be initiated on the common, though indications point to the beginning of dividend disbursements when things become a little more normal and the company has completely adjusted itself to the changed conditions. The "mystery" as to the time when dividends will be started and their amount will naturally tend to increase its speculative fluctuations, but those who hold the stock patiently should in time find themselves well rewarded.

Trade Tendencies

As Seen By Our Trade Observer

Railroads

Old Questions Revived

AS we write the whole railroad problem is practically thrown open again by the statement of Secretary Tumulty on behalf of the President that he has still "an open mind" as to the return of the railroads on January 1, 1920. This answer, given to a delegation of representatives of farmers and labor union men, is particularly significant as the delegation was petitioning that the roads be kept by the Government two years longer so as to try out the merits of Government operation, if any, with a view to possible assumption of the roads by the Government if results are satisfactory. The controlling factor just now seems to be the inability of Congress to get legislation through in time to meet the situation brought up by the return of the road to private ownership under present conditions.

As things stand, it is practically certain that if the roads are handed back to their owners immediately, without further provision, many of them will find themselves bankrupt before long. Present earnings as a whole are well below the Government standard return, and in most cases below the point at which dividends can be paid.

One suggested possibility has been that a general rate increase might be declared, and it is worth noting that the power to do this is still in the hands of the executive, as he has vetoed the bill turning back the rate-making power to the I. C. C. and the bill has not been repassed over his veto. Officials of the Railroad Administration, however, have many times expressed their opposition to action of this sort, taken on the spur of the moment, before Congress had announced its policy.

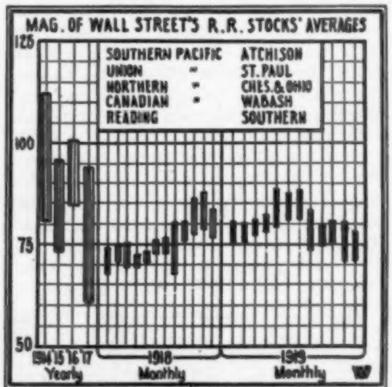
Another possibility, and one in our opinion more likely to succeed, is that the roads will be returned, with or without legislation by Congress, but with a Government guarantee substantially on the present basis to continue for six months, or until the new railroad law goes into effect, whenever that may be. Unless the plan for the continuation of Government control goes through, this would seem to be the best solution of the impasse, as it is more than possible that there will be some time to wait until both Houses have finished conferring on their respective bills, which differ widely in several important features.

Railroad men have expressed their opposition to such a measure on the ground that Congress, if relieved of the necessity for immediate decision of the railroad problem, may delay a solution indefinitely, and in the end pass a hurried makeshift piece of legislation. On the other hand, the work already done on the railroad question will not be wasted, especially as the railroad executives' association is planning a great publicity campaign, and the Plumb plan advocates are considering something of the same sort.

THE average investor has neither the time nor the opportunity to follow developments in the various industries although such developments at times are of vital importance in the consideration of the long range prospects for securities. This department will summarize and comment upon the tendencies in the more important trades as expressed in the authoritative trade publications and by recognized leaders in the various industries. As the general tendency in a given trade is but one of the many factors affecting the price of securities representing that industry, the reader should not regard these trade tendencies alone as the basis for investment commitments, but merely as one of many factors to be considered before arriving at a conclusion.

Shortage of Facilities

The shortage of transportation service, of which many individual industries and manufacturers have complained, has been officially admitted by Director-General Hines in a statement in which he says that the traffic is now at about the extraordinary level of 1918. At that time, however, much of the business was for war needs and hence subject to special war control, which cannot be carried on fully at the present time, as the public demands freedom from restrictions. For instance, the average trainload has decreased from the 1918 figures, because control over the loading of many important heavy commodities has had to be slackened.



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Even before the war, says Mr. Hines, railroad facilities were not up to requirements, and this condition has been intensified by the heavy business of the war and after-war periods. Since the entry of the United States into the war, of course, uncertainty as to the future status of the railroads has prevented the expenditure of much money on the needed extensions and improvements.

This merely corroborates the opinion of many experts that the railroads are in need of considerable bolstering up, physically as well as financially. It is improbable that much will be done in this direction if a final solution of the railroad problem is further postponed, as uncertainty and insecurity are inimical to the expenditure of much capital on new construction. Neither an extension of the guarantee pending railroad legislation nor a continuance of Government control for two years, whatever else may be said about them, will dispel this uncertainty and so improve the transportation facilities of the country.

Steel

Production the Big Question

NOW that the coal strike is over and the consequent limitations on the coking of coal are off, the steel industry faces the problem of filling the heavy orders which have accumulated during the period of slow output caused by the steel and coal strikes. These orders in many cases run on into the second quarter of 1920, although steel companies had been trying to keep orders from getting too far ahead.

The wisdom of this policy is shown by the steady increase in the price of pig iron and prospective railroad rate raises when the roads are returned to private ownership. Under these conditions the margin of profit on contracts based on present prices is bound to go down, and many steelmakers are seriously considering raising their prices so high as to cut down materially the amount of new orders so as to give them a chance to dispose of those now on the books.

The November report of unfilled orders of U. S. Steel Corporation, for instance, shows a figure close to that of November of last year, when heavy war orders were still being carried. In addition considerable export business is being booked, particularly in rails and plates, as American steel can compete in price with that of any country in the world, bar none. Even English shipyards are buying American steel plates at the present time, although immediate delivery cannot be promised because of the congested condition of the industry.

Southern iron especially has shown an advancing tendency, and it is said that most iron producers are heavily booked to the extent of refusing further business. The great difficulty there is in obtaining fuel, as it will take some time till the effects of the Federal order restricting the production of iron-making coke to 50 per cent. of normal wear off.

Prices of finished steel products are moving upward, particularly in the case of wire products, sheets and plates. The latter are being bought in large quantity by the shipbuilding industry, both here and abroad, and are also being used for considerable tank construction. The leading interest, and a few of the others, are still

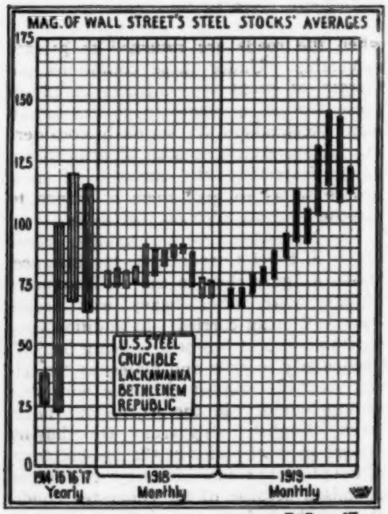
adhering to the price schedule drawn up in March in conference with the Secretary of Commerce, but they are so heavily booked in advance that their prices are practically nominal. New business cannot be done except on the basis of prices which are constantly increasing above those quoted by the big producers.

The boom in big construction, involving the use of larger quantities of structural steel, is on its way and is expected to cause an even heavier demand for steel than that prevailing at present. It is expected that production will not catch up with the demand before the end of next year, though this is looking very far.

The export trade with Europe is not expected to improve much with improving exchange conditions, as the European steel plants will be in better shape to take care of their domestic business by that time, and it is recognized that a good deal of the European export trade in steel is in the nature of emergency business, which cannot be postponed. All other buying will wait, if possible, till home conditions are better.

This does not apply, of course, to buying such as that of Japan for marine construction or that of railroad supplies for South America and the Dutch East Indies, all of which have been considerable items in the steel trade of late. The determining factor here is the fact that American producers can quote low prices and specify deliveries.

With increasing costs of production, notably in raw materials and transportation rates, in sight, and the possibility of



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wage increases to the workmen, although U. S. Steel officials deny this, it is unlikely that any producer will long be able to maintain the older schedule of prices far into 1920. New business to be done apparently will not be a matter of price so much as of assurance of eventual delivery, as the market for steel products is very strong, and price advances in semi-finished and "finished" steel goods can be passed along.

The industry thus enters 1920 with a heavy backlog of orders, a strong demand, an increasing price tendency, and with labor disturbances out of the way.

Copper

The Recent Rise

AFTER an uninterrupted decline from 23½ cents back in August, copper has rallied of late and is now moving slowly upward. In part this may be due to the prospect of more foreign buying, now that the decline in exchange has been checked, for the time being, at least, partly also to the straightening out of labor difficulties. It is known that foreign Government supplies, except those of Italy, have been practically exhausted, so that foreign consumers will have to come to this country largely for new copper. Total sales have been increasing of late; those for the month of December are estimated to be the biggest this year, and 60,000,000 pounds more than sales in July, the previous high month.

The policy of curtailing output, which the copper companies put into force early this year, appears to have been relaxed a little too soon, as production figures have been climbing up for a number of large companies without sales increasing in corresponding ratio. As a result the overhanging surplus of 1,000,000,000 pounds which was said to be keeping the market down earlier in the year has been increased, it is estimated, by more than 300,000,000 additional pounds, adding to the amount that must be disposed of before the mines can begin working at normal as a whole.

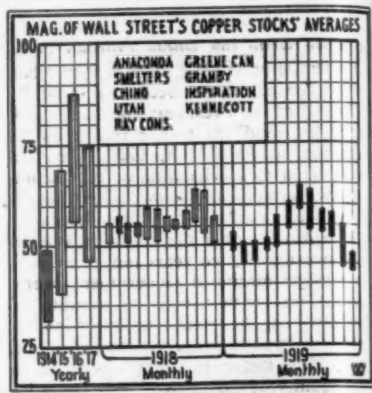
Production costs have been going up on the companies as a result of labor wage settlements made necessary by strikes, capital tied up in unsold surplus copper, depreciation on unsold machinery, and uneconomical production due to low output. It is probable that the figure of 16 cents a pound, arrived at by the Federal Trade Commission for the production cost of copper in this country for 1918, will have to be revised upward when costs for this year are calculated.

The Foreign Demand

The great hope of the copper industry for prosperity is admitted to lie in the prospects of heavy foreign buying. It is demonstrable that Europe could use every pound of copper now above ground, though the surplus is unprecedented in the history of the American copper industry, and in addition keep the mines working at a higher degree of activity than at present. The reasons why Europe has not been buying to any great extent have been many. Among them were the possibility of using large Government surpluses, the falling exchange rates, the unsettled condition of European industry, and lack of credits. It is known that industry is now reviving in most countries, and that the surpluses remaining over from war time have been used up, for the most part.

The copper industry therefore looks to a settlement of the combined questions of exchange and credits to obtain access to its big customers, though it is highly probable that a certain limited amount of European buying will be done even if these difficulties are not overcome, by sheer necessity.

Electrification of railroads, both in this country and abroad, is also expected to help out the copper producers to a large extent, particularly in view of the high price and unsettled market situation of coal, which has recently been emphasized by the strike. As this situation is even worse in Europe than here, it is probable that the pressure on the carriers for electrification will be greater there, and in general that water power will be restored to as a substitute for steam engine where possible. This means the opening of a great new source of demand for copper,



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as the electrical work involved will require the use of large quantities of the red metal.

At the present time the European countries are not nearly as large purchasers of copper as Japan, England and France coming next, while Germany, formerly one of our large customers, is doing little buying if any. This indicates the existence of a large unsatisfied demand, together with the fact that domestic consumers are carrying smaller stocks than usual, according to one authority, one fourth as much.

With a greater demand, it is likely that production will be kept down for some time until the surplus is disposed of. When the mines finally get to operating on a basis closer to normal than at present, it is to be expected that average cost of production will be decreased as tonnage mined increases, since the overhead is proportionately very great in the mining industry. The extensive development work which most of the companies have been doing in the absence of orders, so as to keep their operating staffs occupied, will also make it easier to satisfy the demand when it grows to greater dimensions.

The outlook for copper appears therefore to be very bright. A return to normal buying on the part of Europe, even making no allowance for the necessity of replacing depleted stocks, would mean great prosperity and eventually higher prices to the industry, first by removing the surplus, which costs the producers money to carry, and later by permitting the mines to be run on a larger scale and hence more economically. The present price advance, however, is to be looked on more as an indication of an awakening demand than as the forerunner of a return to very much higher levels, at least until the surplus is removed.

Coal

Production Close to Normal

THE production of soft coal has now been raised to about 77 per cent. of normal, according to a recent trade estimate, which compares with the speed it was working at in the weeks before the strike. Shortly before the strike output had been increased by the operators, probably in anticipation of an unfavorable outcome to negotiations then pending, when the issue of the walkout order cut the rate down from over 90 per cent. to about 30 per cent. of normal, at the precise time when coal is most needed. In the following weeks, however, a steady improvement was noticed, and even before the settlement of the dispute the miners as a whole were operating at close to 50 per cent. of normal.

Practically all of the emergency measures which were taken by the Fuel Administration have been revoked, now that the necessity for them has passed. The priority orders had embarrassed a number of manufacturing enterprises which could not be classed as particularly essential, and the cutting of train service was a great inconvenience to many commuters. The embargo on the bunkering of foreign vessels led to a lessening of the amount of shipping at this port, particularly in the case of "tramp" steamers, but this restriction too is now off.

The transportation situation in coal is still a matter of concern, as there are not sufficient cars in service for the needs of the mines, now that their full operating staffs are back. The confusion is made worse by the order issued to the railroads early in the strike to hold coal shipments, and later orders diverting coal to the more essential industries under the priorities list. As a result coal jobbers have practically been in the position of financing the holding of large stocks of coal which are now being re-routed from mines to ultimate purchasers, as the latter will not pay until delivery is completed.

This situation is not expected to show complete settlement for some weeks, and will explain some of the difficulties experienced by coal consumers after the strike was settled. The increasing production is also causing a certain amount of congestion on the freight traffic, although the Railroad Administration is endeavoring to overcome this by bringing as many cars as possible into service from repair shops.

Prices and Wages

While it has been shown that the figures injected by Mr. McAdoo into the coal wage discussion gave an exaggerated impression of the earnings of the coal industry as a whole by emphasizing the unusual records made by corporations of small capitalization, the relation of wages to prices and the possibility of raising the former without the latter are still under investigation. In this connection the special features of the coal industry, such as the great variation in production possible in the same mine with the same working force, the enormous differences in production costs between one mine and another, the seasonal character of the industry and the possibilities of still further replacing man-power by machinery, make an ultimate decision very complicated and impossible of prediction.

The only things certain are that the shortage and the strike that caused it are over for the time being, at least, and that an effort is being made to arrive at a solution of the problem raised by the peculiar nature of the soft coal mining industry in this country by a commission representing all interests and therefore no one in particular.

The anthracite coal situation is much more satisfactory and less beset by complicating factors. Production has increased to better than last year's records for this time of year, and the gain over the last normal year, 1916, is about 3,000,000 tons. Deliveries have been arranged for by a system whereby those cities which have the best transportation facilities for getting coal are to be served last, thereby tending to equalize the distribution. This method has worked satisfactorily so far, and prosperity in the anthracite trade is general, in contrast to the abnormal conditions prevailing in the bituminous coal industry.

Cotton

Upward Tendency Resumed

SHORTLY after spot cotton had reached its predicted high mark of 40 cents a pound, the market suffered a severe break. The immediate provocation was the publication of the Government crop report, which showed a total new crop for the year of more than 400,000 bales above previous estimates. Underlying conditions of an unfavorable tendency, such as the accelerated break in foreign exchange, the coal strike, which tended to cut down the buying power of consumers and threatened to close textile mills, and an intrinsically bad technical position, due to an overbought market, helped the decline still further.

For the last few days the upward trend has been resumed, with the improvement in foreign exchange, a general releasing of restrictions on coal now that the miners have returned to work, and the Stock Exchange recovery from its recent slump. The technical situation has been strengthened by considerable profit-taking just before the break and the building-up of a good-sized short interest.

Even the bearish Government crop figures have been impugned by the head of the Cotton Growers' Association on the ground that they were too large. The fact also remains that the quality of this year's crop is well below normal, and that the domestic demand is tending to specialize on the better grades, which are comparatively scarce.

Export Situation

The prospects of a large foreign trade in cotton have been brightening of late. For one thing, the decline in foreign exchange appears to have been checked, though no one can be certain how long the improvement will last. Part of the improvement in francs is ascribed to a prospective loan from England, and the exchange situation in general looks much better now that the Edge bill has passed both houses of Congress.

Export figures for November show a great increase over the corresponding period last year, indicating that the need for cotton is so great that foreign buyers are willing to stand the handicaps imposed by short credits and weak exchange. Quotations from Liverpool have been unusually good, giving an unexpected source of confidence to the bulls in cotton.

Despite fluctuations in the cotton market, the trade has held very well, its only weak point, the possibility of a shortage of coal which would compel plants to close down having been removed. Prices of finished and unfinished cotton goods went up even while raw cotton was going down.

The trade situation is one of decreasing stocks on hand, an eager demand which has forced manufacturers to refuse commitments too far ahead, and a considerable backlog of unfilled orders. The shortage of vat dyes, which was threatening to cause some trouble by making textile manufacturers cancel orders for cotton goods, has been relieved by the completion of negotiations with German dye-makers, who still control this branch of the dye industry.

The unfavorable factors having been removed, one after the other, cotton should continue its upward move for some time, possibly even crossing its recent high mark.

Sugar

A Complicated Situation

AT the time of writing the sugar trade is marking time while waiting for some evidence of the working out of the McNary bill, which has passed the House and the Senate. The control of the Sugar Equalization Board will be extended for another year, but leading officials of the board complain that the bill does not give them power comparable with their responsibility.

In any case, the Attorney-General will retain power under the Lever Act to prosecute alleged profiteers. Just who is a profiteer will be difficult to determine, however, in spite of the system of permitted margins of profit as between raw sugar seller and refiner, wholesaler, broker and retailer. The Board had originally figured that importations of Cuban sugar would be sufficient to avert a shortage, but apparently not enough could be obtained from this source, so permission had to be given to import Javan and Brazilian sugar, as well as Louisiana cane and Western beet sugar.

Because of differences in the price of raw sugar of the latter varieties, the final price to the consumer had to vary, from 11 cents a pound for Cuban to a permitted 23 cents for Javan refined sugar. It is alleged by sugar men that the small quantity of high-priced non-Cuban sugar, allowed to retail for 23 cents, is being stretched to a suspiciously large extent, covering in fact a considerable part of the sugar consumption of the city.

The uncertainty as to the future degree of regulation of the industry has caused hesitation about buying up the new crop of Cuban raws, which have, however, gone

up in price to unprecedented levels on a small volume of buying. At a late quotation spot new crop raw Cuban sold at about twice the price of last year's. This compares with an advance of one cent a pound which was offered to the Board some months ago by Cuban growers in conjunction with their government, and which was declined.

Fundamentally, the reasons for the shortage are principally, the great expansion of demand caused by prohibition, and heavy exporting of refined sugar from this country in response to a keen European demand. As for prohibition, it is well known that it tends to increase the consumption of both soft drinks and sweets, both of which consume large quantities of sugar.

This increased consumption has found a smaller supply than usual, because of the heavy demand from Europe, where supplies were greatly reduced on account of political conditions in the great beet-growing countries, including Germany, Austria and Russia. The Sugar Board was not reorganized and given power to control exports and domestic prices until the export sales had caused an evident shortage, and the best it could do was to fix prices and negotiate for the old or 1918-1919 Cuban crop, which was insufficient for our requirements. At the same time it did something in the way of allotting sugar within the country, cutting down manufacturers' purchases, and instituting the system of zonal distribution which had been tried before in the shortage of 1918.

Unless it is granted larger powers over the entire sugar industry, it is difficult to see where it can do very effective work, as it has at present little control over the point of origin, namely, the importation of raw sugar from Cuba at varying prices. The trade as a whole has little faith in the Board, and considers it a harmful case of Government intervention in private business. The consensus of opinion is that it may succeed in forcing prices down artificially, but only at the expense of an inadequate sugar supply, while the consumer, for his part, would willingly pay somewhat higher prices if he could be sure of getting his wants supplied.

Leather

The Dull Spell in Leather

THE close connection of the price of leather with the foreign trade situation was shown by the dull hide and leather market which prevailed during the decline of the last few weeks. A good part of the sensational advance in the price of everything connected with leather, from raw hides to shoes, has been attributed to heavy foreign buying, competing with an increasing domestic demand for the better grades of leather products as luxuries.

While the declining tendency in foreign exchange dates from last March, there was still considerable talk during the summer of a possible quick reversion to normal, which probably influenced foreign buyers less than it did Americans. As a result they did not wait with their purchases, while here many manufacturers and wholesalers, fearing that European buying would be intensified if exchange ever got back to normal, hurried their purchases and thereby aggravated the upward tendency of leather.

When foreign exchange began to drop faster and faster, about the middle of November, Europeans found it too hard to buy from this country, and as a result the market was left to the domestic demand alone.

The latter was in a practically overbought condition, as far as the manufacturers were concerned, at least, and their demand did not prove sufficient to sustain the high quotations which had been established during the competitive buying period of last summer. As a result prices fell, and sellers in their efforts to get rid of their stocks made them drop still faster by the price concessions which they offered to the languid buying element.

It will take some time, of course, before the results of this get down to the ultimate consumer, as all along the road of distribution there are tanners, manufacturers, wholesalers and retailers who are still hung up with old stocks bought when the prime market, that for hides, was still at its high. In addition, there is a natural tendency not to make definitive price reductions until the market has reached a certain security that assures the retailer that he will not have to mark prices up again and explain the new situation all over to his customers. This explains why the prices of shoes and other finished leather products have not followed the downward tendency of raw materials, without recourse to the familiar charge of profiteering all along the line.

Within the leather industry itself it is noted that the lower grades are not moving nearly as fast as the better ones, as the demand for them is sluggish in spite of sellers' attempts to stimulate buying by price reductions. Even in the height of bullish enthusiasm for leather, it was noticed that the foreign demand tended to disregard the lower grades, and by many this was considered a point of weakness in the industry.

To add to the price uncertainties, recent importations have been unusually heavy, although there is little inquiry for stocks on hand. In view of the unsettled market conditions, price movements are very difficult to predict, particularly as there is a likelihood that the exchange situation will be improved by action taken under the Edge bill, which has recently passed Congress. If European consumers' demand continues heavy enough, there may be a resumption of the export business on a large scale, in which case prices would begin kiting again as they did some months ago. On the other hand, it is possible that the effective demand in Europe has already been satisfied, and so prices may remain at their present levels, once foreign purchasing does not operate.

Motors

Will Prices Go Higher?

Prices for motor-cars at the present time are the highest for the last five years, and there seem to be good reasons for believing they may go still higher. Labor costs have been increasing steadily, and of late the cost of one of the principal raw materials, steel, which had been fairly constant for a good part of the year, has joined the general tendency upward.

The expectation of decreased costs which led to a certain number of price reductions at the end of last year do not seem to have been fulfilled, and as a result prices were again advanced above their previous level, as soon as it was found that no definite downward trend in the general price-level was to be remarked.

A recent estimate of price changes in the motor industry for the last five years shows that the retail prices have advanced from 38 to 65% between 1915 and 1919, advances being as marked in the cheaper cars as in the higher-priced ones.

The demand still continues very strong, however, stronger than ever in the history of the industry, and it is expected that if any increase in the price of cars is announced the public will take it with good grace. Shipments of finished cars are a little easier, now that some of the congestion of orders has been taken care of by increased manufacturing capacity, and in addition a good deal of new capacity will come into action early in 1920 which waited for the beginning of the big boom in motors to get started. Turning this added production loose on the market will not, in the opinion of motor men, force prices down, as most of the plants report orders in excess of their producing capacity as estimated for 1920.

Motor Prospects

Looking somewhat further ahead, the export end of the motor industry seems to be due for greater development. In the first place, the domestic market is closer to exhaustion than that of any other country in the world, according to statistics of number of cars per head of population.

Besides, American methods of large-scale production have proven their efficiency particularly well in the automobile plant, and are likely to choke all effective competition as far as the lower-priced cars are concerned.

Motor manufacturers in Great Britain, looking into the future, are trying to protect themselves in advance by putting up a tariff wall against American cars, and are complaining that the present foreign exchange handicap on American exports is not sufficient of a barrier to safeguard British manufacturing interests.

One result of the difference in conditions such as foreign exchange, tariff duties, costs of production, availability and temper of labor, and the like, has been a tendency on the part of motor manufacturers to establish new plants abroad. Makers of a number of prominent cars have been planning to construct new plants in England and France, while at the same time the manufacturers of one of the well-known expensive British makes have decided to put up a factory in this country, incorporating a new American subsidiary in order to do so.

Particularly with the expansion of export trade, the motor industry seems in line for a period of prosperity, as it will probably take a considerable time for production to catch up with demand at its present intensity.

Courtesy National City Company.

Building Your Future Income

How Much Is a Man Worth?—Earning Power Capitalized—Startling Angles of a Generally Overlooked Subject

DID you ever stop to consider what an important man you are?

If you are earning a modest $35 a week you are actually worth $33,600!

You are worth this because you are drawing a sum weekly that is equivalent to the income from $33,600. You could do no more with $33,600 if some one made you a present of that amount and compelled you to live on the interest at five per cent.

But—you have to work for it!

This is no "fly in the ointment" and you have not discovered any nigger in the woodpile by finding this out. You are better off by having to work for it; $100,000 stallions have to be exercised to keep them fit, and high-priced trainers are employed to keep prize horses in good shape.

YOU pay no training fees. You get the right kind and the correct amount of exercise every day. Organized society regulates the amount and the boss uses his gray matter to figure out the best kind for you.

If you were compelled to live on $33,600 without working, to twiddle your thumbs and just draw interest, you would run down and go to seed.

The boss has to invest the $33,600 or its equivalent, and to give you the interest of five per cent. on his money—$1,680 a year.

He has to worry about that.

You get yours *handed you,* in a neat envelope, with "Mister" in front of your patronymic, each *week,* in currency.

If you drew $1,680 on a capital investment of $33,600 you would get a check, twice or four times *a year.*

The boss pays you in advance, and you don't have to identify yourself nor make trips to the bank to get the money.

YOU are a very important man. You are still greater if you get $40 a week. That would make you worth $38,400; $45 a week elevates you to $43,200, while $50 a week turns you into a capitalist with a "book value" of $48,000.

Every further $5 raise adds $4,800 to your personal worth.

The $5,000 a year man is appraised at nearly $100,000.

Have you ever thought over this matter of your own "book value"?

BUT it is as well not to get too conceited and jump at conclusions. A man is worth as much as he makes himself worth. Almost every man has a certain reserve force which, like a good industrial corporation stock, can be regarded as a "hidden asset," making the *ultimate* capital value much higher than the present earning power indicates.

This reserve force—the hidden assets of the body corporate—can best be conserved by correct methods of living.

The average man lives two lives: about eight hours in the office and sixteen on trains and at home. A perfect balance must be maintained in both establishments in order that the whole may be co-ordinated to the end that his reserves—his hidden assets—may be developed to the best advantage.

Development of these reserves will make the hidden assets visible ones; and the developer should be able to pay himself large stock dividends, which in turn should produce little "melons" of their own. That's how big corporations like Woolworth, Swift,* Sears-Roebuck and General Motors have made good.

Learn how to conserve, and then develop capital worth.

MAN, like a gold mine or an oil well, is a liquidating proposition. Brain power, energy, youth, nerves, physique, muscle and brawn are *all* his reserves. But, like the mine with its rich ore bodies or the oil, gusher drawing from the pool below, the exhaustion stage must be reached eventually. Mining and oil companies do not pay dividends forever: they constantly distribute their capital worth. The well-managed companies anticipate the future by amortization.

Man, being also a liquidating proposition, should do likewise. The future should be anticipated in the present and the uncertain prospects discounted here and now by a sinking fund consisting of conservation of physical and material resources, improvements of those resources, adequate reserves for contingencies, and development of personal efficiency.

If the capital worth of a $5,000 man is $100,000, it is worth while taking good care of such valuable material.

Plans for a Young Capitalist

A Method of Lifting Yourself By Your Bootstraps Towards Independence

SOME time ago we were called upon to handle an inquiry from a young man who had money to invest. The letter from the investor speaks for itself:

"I am a young married man, thirty years of age, and I have managed to save my first $1,000. I can save and add to this at the rate of $100 a month. Would like to invest this $1,000 safely and build up my future to the best advantage. Have you any suggestions?"

The Answer

According to the estimates of the American Society of Actuaries, a man of thirty has about thirty-five years to live, based upon average results, per 100,000 normal men. You can, however, give yourself the benefit of the doubt and work out your future with the understanding that you are going to *produce until you reach sixty;* although a small percentage accomplish this.

Your $1,000 safely invested at six per cent. will be worth $1,060 at the end of one year. Your $100 monthly will add $1,200 to your capital; and if you put your savings to work as fast as they come into your hands they should add a further $33—in interest—making a grand total of $2,193 with which to start the second year. The tables show how your investment would grow.

We would strongly advise you to continue this calculation along the same lines, keeping your figures before you as a stimulant to your efforts.

The importance of keeping and making records cannot be over-estimated, and when figures are reduced to "graphs" they visualize the bird's-eye view of the situation, making them *live* and easily understood. The graph in "Builders of Bridges" (see last issue) explains our meaning.

We do not know whether your future earning power, even for five years ahead, is absolutely assured. Neither do you.

You may also question your own ability or our right to suppose that each $100 you save can be *immediately* invested to return its full six per cent. As it is essential not to lose a day's interest to secure the results noted, we suggest that you anticipate the future to some extent by planning ahead three years in advance.

If you are *sure now* of your earning and saving power for the next five years—taking into consideration possible illness, accident, increased domestic responsibilities, change in or loss of occupation—you could discount the next five years. But in cases like yours we do not, in general, favor it. Let us stick to the three-year plan.

You have $1,000 now, and will have over $2,000 in a year's time. Take time by the forelock and discount the year ahead. Borrow $1,000 on the security of the $1,000 you have and the $1,100 you are going to save, to place $2,000 at your disposal *now.* Arrange to pay off the $1,000 loan with interest at 6 per cent. (*and no more*), at the rate of $100 a month. You should also stipulate for interest at 6 per cent. to be paid you on each $100 as fast as it is paid in.

Your investment of $2,000 now at 6 per cent. will bring in at least $120 a year. For the full year you will pay $60 out of this on your loan of $1,000, leaving you $60 net profit. To this must be added the $33 you will receive as interest at 6 per cent on your $100 instalments.

In this way your total income for the year, $2,100 plus interest, $93, will give you $2,193 with which to start the second year.

The following shows your ten corporations, your bonds, your $2,000, approximate prices as this is written, and yield "to maturity":

SELECTED BONDS

	%	Due	App. Price	Yield %	Interest Payable
1. Imp. Japanese Govt.	4	1931	73	7.6	Jan.-July
2. United Kingdom	5½	1937	99	5.5	Feb.-Aug.
3. Argentine Govt.	5	1945	83	6.3	Mar.-Sept.
4. St. Paul Convertible	4½	1932	76	7.4	June-Dec.
5. Colorado Southern	4½	1935	82	6.3	Mar.-Nov.
6. C. C. C. & St. Louis	6	1929	93	6.2	Jan.-July
7 Laclede Gas	7	1920	102	6.7	Feb.-April
8. N. Y. Central Deb.	6	1935	98	6.2	May-Nov.
9. Liggett & Myers, Reg.	7	1944	114	5.9	Aug.-Oct.
10. U. S. Rubber	5	1947	89	5.8	Jan.-July
			914	6.3	

Where to borrow? We suggest that you consult the cashier or manager of your local bank, tell him of your position, prospects and expectations; also your plan. If there is any further difficulty, show him this article. If your bank cannot or will not accommodate you—which we doubt—then ask our Inquiry Department to suggest a strong brokerage house that specializes in this form of partial payment investment.

To secure the six per cent. and a very high degree of safety, invest your $2,000 in "Baby Bonds," that is, bonds issued in denominations of $100 each. You should purchase 10 different kinds—20 bonds of $100 each in 10 different corporations or governments. This makes for "diversification" so far as you are concerned, and trouble for your banker or broker. They might swear under their breath at the voluminous bookkeeping and coupon clipping involved, but that's *their* trouble—and they'll have to get used to it.

The total outlay for these bonds would be, therefore, $1,828, leaving $172 uninvested out of the $2,000. With this balance we suggest you take a slight "chance" by purchasing middle-grade semi-investment bonds like: Hudson & Manhattan 1st 5s, 1957, around $60 to yield over 9 per cent., and Public Service of N. J., 7s, 1922, around $98 to yield 7¼ per cent. The average yield on your initial twenty bonds would be 6.3 per cent, while the additional two bonds would raise your income to close upon 6¼ per cent.

Note that we have calculated your future upon a 6 per cent. basis, whereas it is not difficult at present to average 6½ to 6¾ per cent., as we have shown you.

We would use the surplus interest to pay for life insurance—especially to pay premiums on a policy to insure your debit balances to brokers and bankers. Till now your average debit balance would be less than $1,000. On the subject of insurance, you might follow the Insurance articles in this section.

There will be no need to stop anticipating your future earning power by obtaining further loans, and provided your experience teaches you that your "job" or position is safe; or if you lose your present position, you can well get another at the same or a better salary, you need only keep your eye on the possibility of unforeseen contingencies.

When Your Equity Grows

As your "equity" in your bonds grows, there is no reason why you should not expand your credit somewhat along the same lines—provided always you do so reasonably. Don't hesitate to consult us or your banker if you have any doubts.

Around the beginning of the fourth year, with an equity of over $5,000, you could interest yourself in well-fortified preferred and common stocks. We would recommend some of these right now, but for the fact that we do not consider it advisable for you to divert your mind from your work at this stage by watching the fluctuations for such stocks in the daily papers. Apart from the fact that this might "get you in bad" with your business connections, it takes experience *to take fluctuations serenely.* Therefore, avoid it.

With $5,000 and an assured future you could safely borrow about $3,000 to purchase some of the old-timers like American Woolen preferred, American Locomotive preferred, Virginia-Carolina Chemical preferred, National Lead preferred, National Biscuit preferred, Cities Service preferred, Colorado Southern 1st preferred, Kansas City Southern preferred, Atchison preferred, and Union Pacific preferred. All these give a good yield and some are often on the bargain counter. If you should make any "extra" money, or get any unexpected windfalls (a Christmas bonus for example), it wouldn't be a bad idea to present the wife with certificates for some of these.

When you purchase these with your borrowed $3,000, the interest to be received and paid would work out along the lines of your first bond purchases; you would find it good business to *borrow well and borrow right.*

If you prefer it, you could place half the new funds in preferred stocks, and the remainder in good common stocks such as U. S. Steel, Anaconda, American Smelting, Atchison, Union Pacific, Southern Pacific, Westinghouse, Virginia-Carolina Chemical or such others as will then be cheap. We can't tell what will happen in three years, but this magazine will keep you posted on conditions.

At the end of the fifth year, with over $8,000 to your credit, your standing with bankers and brokers will have become established; also your status towards your profession and employers (if any). You would then be able to get a "line of credit" from $3,000 to $5,000 which will enable you again to discount your future up to a total accumulation between $11,000 and $13,000.

By that time you will be able to take care of yourself!

We might add that our list of "Baby Bonds" has been compiled to give you some income *every month.* You will be receiving interest from the corporations and governments concerned at least once a month, and sometimes twice a month. This will help to keep you cheerful and your bankers (or brokers) very busy. They will be reminded of your existence about every two weeks, and though they might at first consider your account a troublesome one, they can console themselves with the thought that you are going to be a big and useful customer one day.

Points Income-Builders Should Know

Partial Payment

THIS is a system of accumulating securities by paying "so much down and so much a month." In practice, it is no different from the method of buying a piano, a talking-machine or even a house, excepting that in the case of the furniture and house you get "physical possession, use and enjoyment" before payments are completed, and in the case of securities you get the *use* but your broker retains possession until they are fully paid for. By the "use" we mean that all dividends and other rights are credited to the buyer, and if an increase in value should come along during the life of the contract, that also is for the benefit of the buyer.

The plan has very many advantages, a few disadvantages, many uses and very many abuses.

A purchase of securities on this plan is "for future delivery," which may be delayed twelve to twenty months ahead. The broker gets a deposit of about 25 per cent. of the value, and the customer undertakes to pay about 10 per cent. of the purchase monthly until the security or securities are fully paid for. Thus, in a purchase of 10 U. S. Steel at $105 a share, the first payment would be $265 on account of the entire purchase involving $1,050, and $105 monthly each month thereafter. The broker is entitled to charge interest (from 6 per cent. to 7 per cent.) on the unpaid balance owing from time to time, plus his buying commission and taxes. The brokerage house making the contract gives the customer the right to pay off the balance at any time and receive delivery; to receive all dividends, which are usually credited or deducted from the monthly payments, or to sell out at the market price at any time, the profit or loss belonging to the customer. If, therefore, U. S. Steel should advance to $125 the profit of $200 would belong to the customer, even though he had only paid his deposit of $265 the week or month before. But customers who go in for this form of investment are not expected to use the method for "trading"—in other words, jump in and out for quick profits. The writer has known cases where clients have been asked to close their account under such circumstances. The brokerage house that is strictly "on the level" aims to secure a large clientele of satisfied and well-to-do customers, who are willing to sacrifice present desires to conserve their resources when securities are cheap, and reap not only the benefits of large profits ultimately, but to remain substantial customers who may be expected to support their house in the future.

In line with this idea, such houses do not recommend speculative securities on the partial payment plan, nor "fast movers," nor even non-dividend-paying stocks. Their preference among dividend payers helps the customer to meet the interest charges during the life of the contract. No better form of investment exists if all other conditions are favorable, the brokerage house strong, and the securities properly selected.

Concerning Abuses

The abuses are mainly (a) bad brokers, (b) bad securities, (c) bad customers. We do not wish to be taken too literally. In the wake of this excellent form of investment, a large number of mushroom firms have sprung into existence to sell securities on this plan. The lure of monthly instalments flowing in regularly, a long-delayed time for delivery, the mistakes that the average customers will make, the chances of payments "falling in," the impossibility of proving whether they do or do not purchase the securities in question, has proven irresistible; and the attraction of "bucketing" this business has been powerful and lucrative. In these cases, if the customer happened to be right he was *bound to be wrong.* This sounds Irish, but it's true. Suppose he bought Texas Company at 150, which at the time the contract expired was selling about 250. Here the customer was right. He calls for his stock, and gets excuses: delay in transfer, boss out of town, books closed at present, or the president of the company suffering from colic. Weeks pass and then months and still no delivery. More urgent demands embolden the "house" to tell the customer if he "squeals" he'll get nothing. Finally the "house" closes down—no Texas Company, no money. The customer is wrong although he is right.

This is not an average case. Those who worthily push the partial payment plan are doing good work, for the customer, themselves, and the country in general. But be sure you are dealing *with just that kind.*

We hardly believe you can make a mistake in dealing with old-established concerns of repute, that are known to have ample capital; and if they are members of the N. Y. Stock Exchange in good standing with the governors, then the risk is negligible. Such firms are not only reliable in a financial way but also in their advices, and will not knowingly mislead the customer into buying stock *that they expect to go down.*

The bad security is already referred to. Our formula of a good security is spread out over thousands of pages of THE MAGAZINE OF WALL STREET for the past ten years.

The bad customer can cure himself. If you intend buying on the partial payment plan, make sure of your own *intentions,* your ability to keep up your payments, and your obligation to your broker. When you sign, *promising* to pay so much a month, see that you respect your contract as well as your *word.* Do not go in for the plan if it is going to be a subterfuge to take on a line of stocks that you don't intend taking up eventually. Don't make initial payments with the idea of selling out on a few points profit; this will make you a speculator instead of an investor.

Above all, take a long look ahead into your means, your security and your brokerage house. This is an important way of Building Your Future Income, and no angle should be overlooked or glossed over.

Interest Charges—Call and Time Money

The following letter written by Mr. Richard D. Wyckoff to a subscriber will clear up some doubtful points on this much debated subject. The writer's comments carry greater weight because of his extensive experience as an investor and trader, and personal knowledge through long association with N. Y. Stock Exchange houses in the actual business of buying and selling stocks:

"Your favor of recent date received and I quite understand your objection to the rates that have been charged by brokerage houses.

"But there is quite another side to the story. I, too, have been charged as high as 12 per cent., and if you paid any less than this for the month of November, you did well. Rates in other cities have been much lower than in New York.

"The usual custom in brokerage houses is for the firm to charge up the interest on its capital at 6 per cent., add to this the cost of their time money, and to this they add the cost of their call money.

"Each day the cost of all their money is carefully averaged, and a book is kept for this purpose. At the end of the month they figure what the average cost of their money has been during the month, and they add a fraction of one per cent. to this, according to the kind of accounts that are handled. For example: An odd lot account in inactive stocks would pay probably the highest price. Next would come the hundred-share lots of inactive accounts. And, finally, the lowest rate would be given to the most active speculative account which paid the most commission.

"Having been in the brokerage business myself, I am quite sure that where brokers in New York have charged as high as 10 and 12 per cent., they have been fully justified because most of them had to borrow a large portion of their funds on call, time money being unattainable a good part of the month. So I don't think any campaign against this practice would be effective.

"The usury laws in New York State are gotten around by charging as 'commission' anything above 6 per cent., and I doubt if any action would be effective against this practice.

"While I was paying high rates on the stocks I was carrying, some banks which handle my trust accounts were only charging me 5½ and 6 per cent., so you might say I am in the same boat. Commercial paper has been lower than Stock Exchange money, and especial loans on items that are likely to stand for some time have even been put down for customers of the institution at lower than the time money rate."

Convertible Bonds

A convertible bond is an investment with a speculative attachment, or a speculation with an investment attachment, whichever you wish to call it.

The convertible feature acts as a sort of life preserver, because the investment value and income return of the bond prevent it from going below a certain level. And like the life preserver, the more you push it down, the harder it sinks. On the other hand, whenever the security into which it is convertible rises in value, the convertible bond advances along with it, depending, to a certain extent, upon the terms under which the bond is convertible into the other security.

In the case of Southern Pacific Convertible 5s: About a year ago these bonds were selling very close to the price of the stock. Both were in the neighborhood of 88 to 90. When the stock rose to 115, the bonds kept pace with it, but when, on a later occasion, the stock declined to around 92, the bonds only went a little under par. They did not decline to the same extent as the stock. This was due to the fact that the attractive petroleum features of Southern Pacific had been pointed out, and investors began to realize that a convertible bond of this kind, selling around par, might some day be worth 125 or 150. Therefore, they were willing to pay a higher price than before they were fully aware of these possibilities.

There are so many different kinds of convertible bonds and such a variety of provisions governing the conversions, that we cannot cover them in this tabloid space. But the investor who desires security, fair interest return and marketability, with the possibility of an increase in the value of his principal, without sacrificing any of the investment features, should make a careful study of the long list of convertible bonds which are offered in the market.

THREE REASONS FOR INSURANCE

The man who does not take out as much insurance as he can afford, exposes his family to possible poverty and want in the event of his death or disability

Insurance to Provide an "Estate"

Ninety Per Cent of Adults Leave No "Estate"—What Is an "Estate"?—Insurance as a Method of Providing an Estate Irrespective of Present Means

ONE of the most important angles of life insurance is that one which seems, to my way of thinking, the least emphasized in the literature of life insurance companies and the talks of the sales agents. Perhaps I am going a little too far when the impression is wrongly conveyed that it is not emphasized or brought out. The reverse is the case. The point I wish to make is that the "estate" angle should be made to protrude like the little boy's sore thumb.

The "estate angle" should be foremost, and this is what I mean by it.

The majority of Americans, in fact the majority everywhere, including Englishmen, Frenchmen or Chinamen, die poor. Wealth and even comfort is the perquisite of the few. If you don't believe it make this simple test:

Write down the names of all your male friends and acquaintances who have died in the last five years. Their wills (if they left one, or had anything to give away) will give a good idea of their net worth at the date of their decease. Divide up the total among all the names.

If you can recall ten names, the following is my liberal guess of the approximate situation:

One died rich; two were "comfortable"; three had about enough to pay their debts and leave a little for the widow and the children; four were in

very poor circumstances. In some of these cases you dug into your generous pockets and opened up your large heart (I believe every American is big-hearted) and did your bit.

Among your present circle of friends and acquaintances, a very small portion have means worth talking about. The majority are probably much worse off than you are, although from external indications they wouldn't like you to know it.

Pay all your debts today; sell everything you've got "at the market" (the widow would probably have to sell "at the market") and see how much you'll have left.

What you will have left is "your estate."

An estate is the net worth of a man or woman at the date of his or her death; roughly the assets which the executor or trustee is going to divide up among his dependents and beneficiaries.

How much will your executor have to handle?

* * * * *

The results among our readers are, I am sure, far better than average results would be throughout say 10,000 of the population of any city in America chosen at random. Our readers, which my estimate gives as 100,000 directly and indirectly, are undoubtedly interested in investments or they wouldn't buy or read THE MAGAZINE OF WALL STREET. I can safely premise that they are much better off than the average, since they have or are interested in investments.

Critical judges might think I am drawing the long-bow of my estimates. I stand on my contention that in spite of the fact that I challenge the more "comfortable" class to prove that even among one's own friends and acquaintances the majority leave no estate worth talking about, the condition among the average 10,000 will be found to be fifty or more per cent more amazing.

One big reason for this: while the comfortable class has an excellent earning and saving power during lifetime, the unforeseen such as illness, incapacity, panics, domestic troubles and a string of other ills comes along too often to give a wide margin of safety. The executive head of the family may be hard-working and competent but his estate needs constant supervision and fortification against the inroads that are made into it.

In other words, diminishing capital value which keeps on occurring and recurring needs bolstering, by a corresponding strenuous effort of the owner: When Max Nordeau wrote "The Drones Shall Die" the broad thought was as with the drones so with mankind: Go forward or you must go backward; you cannot stand still!

* * * * *

The remedy. Fortunately there is a remedy. Life insurance provides an estate; I will not say to rich and poor alike, but one can conservatively claim to the rich, moderately rich, comfortable, and even those in moderate circumstances.

If you are worth nothing today, you insure for $10,000 this afternoon, the insurance company "passes" you and hands you the policy next week, and you then put the engraved document in your strong box; your estate will be worth $10,000 from that moment, and you will then be entitled to pass from poverty to "fair circumstances." To continue that happy condition, you have only to earn and save enough to pay the premiums.

If you were then to die in a month or a year, your "estate" remains at — — — — plus $10,000.

If you are worth $500,000 you can insure for a further $500,000 and be morally certain that you will die a "millionaire." If anyone knows an easier or more certain way of doing it, we would like to have it for the benefit of our readers.

A strong point, one that should not be overlooked (it is the only "nigger in the woodpile" if my critics are searching for flaws) is that the chance of doing this at any time cannot be guaranteed. If you are in good health now, it is no certainty that you will be in good health tomorrow morning. The "trend" of your health may be upward or steady, but the ultimate long trend is downward—always downward.

Increasing years will mature your experience, but not your health.

"Providing an estate" is not one of those things that you can very well put on your memo pad, to be attended to when you have time. If an automobile is getting ready to hit you unexpectedly it is not going to consult your memo pad.

An epidemic of influenza or pneumonia does not await your time or convenience.

Consequently those who wish to "think over the matter" of owning an estate worthy of division among their kin and dependents should do their thinking quickly.

The Investor in a "Restricted" Home

Important Points for the Home Buyer to Bear in Mind—How Restrictions May Work For or Against Him—His Home Should Be Adapted to His Character

By SCRIBNER BROWNE

I HAVE been asked by the editor of this magazine to write something about restricted property, for the Investing-in-a-Home Department. It happens that I have had considerable experience with real estate—some pleasant and some unpleasant—and if I can shed any light on the investor's problems in this field I shall be only too glad to do it.

Restrictions of one kind and another are of course the rule in suburban developments, and to the average buyer of a suburban home they make a strong appeal. Naturally enough, he doesn't want to buy his lot and build a house on it and then have a saloon open up on one side of him and a meat market on the other side. He wants protection against unpleasant contretemps of this kind before he buys.

This protection is supposed to be afforded him by restrictions. The owners of the development file a map in the office of the county clerk and at the same time place on record the restrictions under which lots in the property are to be sold. These restriction are in regard to the character of the buildings that shall be erected and the purposes for which they shall be used.

Restrictions Vary

There is nothing to prevent the owner of real estate from selling it subject to any sort of contract that is not against public policy. Therefore restrictions will naturally vary widely. They nearly always set a minimum cost for homes that may be erected on the property. They are likely to rule out business buildings except at certain points, which are necessary for the convenience of the residents. They may require that no building shall be erected until the design has been passed upon by the company's architects.

They may, in fact, provide practically anything that the owners of the development see fit to put into them, and for that reason it is only ordinary precaution for the buyer to examine the restrictions and see exactly what they are. But my observation has been that not one in a hundred of the buyers of the lots ever do that—such is the sweet trustfulness of the home buyer.

Now that the cost of building a home has about doubled since most of these restrictions were filed, they do not mean what they formerly meant. Suppose restrictions filed in 1913 provided that no residence could be erected costing less than $7,000. That means today what about $3,500 meant in 1913. The result is that houses may be erected which are far below the standard which the owners of the property intended to set.

Since this condition exists at the present time in connection with all restrictions except those filed very recently, the home buyer should consider it in all its bearings. On the one hand, it may enable him to build in a community where most of the residences are larger and more pretentious than the one he proposes to build—if that is what he wants. On the other hand, if he buys a house built before the war, the change in the value of money may result in smaller and less desirable

A HOME AND AN INVESTMENT COMBINED

Property owners are beginning to realize the importance of considering the future market possibilities of a home in addition to the personal comfort and satisfaction it affords for the time being

houses being built all around him. This might make a difference to him, or it might not, according to his point of view.

Differing Personalities

As to the general question of restrictions or no restrictions, no rules can be laid down. One man wants to live in a community composed entirely of residences costing say $10,000 and upward, and doesn't want so much as a cigar store within three blocks of him. Another wouldn't care if his next door neighbor lived in a piano box and would really like to have a saloon next to him, as a convenience. (However, it looks now as though all restrictions about saloons would have to be classed as ex post facto legislation.)

There is, however, one important point to be remembered here, and that is that your tastes may change, or if they don't the tastes of your family may change, or your future family may have different ideas about things from those entertained by your present family. When you are buying a home you expect to live in it some time—in fact, I have known cases where living in it was almost compulsory because of lack of a market for it. Selling a house which you have built, or a new house which you have bought on time payments, generally means a considerable sacrifice.

You and your wife may be of free- and-easy, democratic tastes, so that you don't care at all what kind of a house is next you. But how about little Gladys, who now, at the age of eight, is even more free-and-easy? In a short ten years she may take a very different view of things. Instead of playing leap-frog with the meat man's errand boy, she may turn up her nose until it meets her eyebrows at anybody having an income less than $15,000 a year.

And it's no use saying that you are not going to let her grow up that way. About 50,000,000 parents in the United States alone have found out the fallacy of that kind of reasoning.

Restrictions are usually limited to a certain number of years, the idea being that by the expiration of that time the character of the neighborhood will have become settled so that restrictions are no longer necessary. Another idea, it may be mentioned in passing, is that by that time the first owners of the development will be out of it and they want also to be out of the restricting business.

This, however, doesn't always work out according to the hopeful plans of the developers. In almost any journey through the suburbs of a big city you will run across developments which have manifestly proved a failure. You will see scattered houses standing in melancholy isolation, needing paint and with back yard fences tottering.

In such localities restrictions, whatever they may have been to start with, are likely to be a back number. This is not only because the time set for the restrictions may have run out, but also because of the difficulty of enforcing restrictions *where little or no damage can be proved.*

What Are Restrictions Good For?

This brings us to the subject of what the house owner can really do to enforce restrictions on the lots around him. In the case above mentioned he can do nothing, probably. If the restrictions were duly filed with the county clerk, suit can be brought against the person who violates them. But it would be a suit for damages, and actual damage would have to be proved. If the development was a failure, actual damage would probably be next to nothing and not worth suing for.

In fact, in almost all cases actual damage is hard to prove. Suppose restrictions say that nothing but two-story houses shall be built. The first question is, What is a two-story house? Is a bungalow with a maid's bedroom in the roof a two-story house?

And if a one-story house has been erected, and it can be proved to be contrary to the restrictions, how much has the owner of a two-story house nearby been damaged? In most cases probably not enough to pay court costs, to say nothing of lawyer's fees.

Or take a case where building plans must be approved by the architect in the employ of those who are developing the tract. If said architect takes a notion to approve, for some personal friend of his, a house that is much smaller than all the others in the development, what are you going to do about it ? You have, perhaps, an action for damages against the promoters of the development, but it is an action that it would never pay you to push.

What to Do

The investor in a house, then, should follow one of these two plans: Either he should pay no attention to restrictions whatever, merely selecting a location which is satisfactory to him and in a neighborhood which he believes is likely to maintain its character as far ahead as he can see. Or he should build in a development which is (1) in a direction toward which the high-class residence section of the city is growing; which (2) is being promoted by responsible people, who may reasonably be expected to guard restrictions carefully for years to come; and which (3) he believes, after consulting with the best judges of real estate that he can get hold of, will prove a success within a reasonable time—of course, if it is already an assured success, so much the better, but his lot will cost him more.

Now that I get started writing on this subject, a great many ideas occur to me. Possibly, Ye Editor, if not asleep before he reaches this paragraph, may give me space for more of them in a later issue.

Signs of an Overbought Market

WHEN it is stated that the market is overbought, it means that people have bought stocks to such an extent that they have no more capital for additional purchases. Naturally, such a condition prevents further purchases and some holders will soon become discouraged and sell out. This selling pressure depresses market prices.

A good way of telling whether or not a market is overbought is to look for the following indications:

1—The market must first have made a substantial advance in prices.

2—The market must begin to show some signs of hesitancy, that is, must make no progress either way for a short period of time.

3—The market must be active.

4—The market refuses to rise upon publication of good news.

Relation of Size of Farm to Profits

By **JAMES B. MORMAN**

Assistant Secretary Federal Farm Loan Board

IN carrying on the farm business, there are many factors which play an important part in determining its profitableness. In addition to a proper relation of working capital to fixed capital, the number of acres cultivated, amount of grass land for live stock, number of live stock kept, and the steady employment of labor forces—including machinery, men and horses—are determining factors on diversified farms. This is the general type of farm to which these statements apply.

As a result of investigations carried on for a long time by a number of the agricultural experiment stations, it has been found that, as a rule, larger farms have a more favorable distribution of fixed and working capital than smaller farms. The result is that a larger farm unit has given greater profits than a small farm unit. The increased income is due mainly to the more efficient use of land, labor and capital in the production of crops and live stock. This is important to remember in purchasing a farm and operating it as a profitable investment.

Distribution of Capital and Labor

As regards the distribution of capital on large and small farms, investigations on 668 farms in Missouri showed that the former had as large a percentage of tillable ground as small farms but less waste land. Also large farms have more land in grass, have more live stock—one animal unit being kept for each 6.6 acres of crops on small farms as compared with 4.8 acres in crops on large farms—and use their labor forces more efficiently.

The following statements show the relative distribution of capital and labor. The operator on a large farm employs his men, horses and machinery more efficiently than the man on a small farm. In fact, a farm under 80 acres in size can use machine equipment only to a limited extent. On larger farms 77 crop acres are cultivated per man as compared with 16 on small farms; while the horse works 21 and 7½ crop acres, respectively. Equipment to the value of $100 is maintained on small farms for each 21 acres of crops, whereas the same amount of equipment operates 35½ acres on large farms. The following table shows these data in detail:

A THRIVING HERD
Proportion of live stock to cultivated land follows a fixed rule which must be adhered to if the farm is to be successful

Size of group Acres	No of Farms	Land and Building Per Cent.	Equipment[1] Per Cent.	Crop acres per Man	Crop acres per Horses	Crop acres per $100 of Equipment
40 or less	47	76.6	23.4	15.9	7.3	20.9
41- 80	149	78.9	21.1	25.9	8.4	22.0
81-120	151	81.8	18.2	49.2	14.3	33.0
121-200	191	81.3	18.7	58.9	15.3	33.1
201-400	106	83.2	16.8	67.7	16.9	35.1
Over 400	24	83.6	16.4	77.2	21.2	35.6

[1]Equipment includes machinery, live stock, supplies and cash.

It has often been said that the acres of a small farm are more generally utilized than the acres of a large farm. While this is true, the small farm does not give the same opportunity for the efficient use of land, labor and capital as a larger farm. For this reason, as we shall see, the income on a large farm increases proportionately with the increase in acreage and the more efficient use of both capital and labor.

Capital and Size of Farm

The labor income on a farm is limited by the capital investment. While some farms are too heavily capitalized, others are operated without sufficient capital. The most successful farms in each group have an investment ranging from $70 to $95 per acre.

A farmer with a low capital investment has a lower yield of crops but sells more crops proportionately than either of the other groups of farm owners. A farmer with too high a capital investment per acre does not get yields sufficient to warrant such excessive capitalization, and, as a result, his labor income will be low. Such a farmer also does not keep much live stock and gives more of his time to crops, particularly to grain farming, which does not enable him to employ his labor productively for any length of time.

On the other hand, a farmer with a high capital investment per acre is usually too heavily equipped with live stock which takes considerable of his time that could be better employed in crop production. A farmer who desires to make the best income should give about 60 per cent of his own time and about 94 per cent of his horses' time to this branch of his business.

Where capital investment is larger, a farmer is able to keep more live stock and secure steadier employment for his labor forces, thus increasing his labor income considerably. While the horse works harder per acre on a farm undercapitalized, this difference in horse labor does not offset the other advantages of a diversified or stock farm where the capitalization is properly related to its size.

Income and Size of Farm

A farm, like any other business, is operated for profitable income. Few farmers undertake to run a farm for the fun of it. The work is too hard and the risks are too great for that. It is important, therefore, to note finally the relation of size of farm to

Item	40 Acres or less	41-80 Acres	81-120 Acres	121-200 Acres	201-400 Acres	Over 400 Acres
Capital—						
Land	$1,872	$4,230	$6.520	$10,068	$17,192	$32,561
Equipment	575	1,132	1,462	2,322	3,467	6,378
Total capital	$2,447	$5,362	$7,982	$12,390	$20,659	$38,939
Receipts	$463	$905	$1,177	$2,124	$3,224	$6,216
Expenses	195	410	465	980	1,480	3,270
Farm Income	$268	$495	$712	$1,144	$1,744	$2,946
Interest on investment	122	268	399	619	1,033	1,947
Labor Income	146	227	313	525	711	999

HARVESTING THE CROPS
A capital investment of from $70 to $95 per acre has been found productive of the highest rate of return on successful farms

income. The following table sets forth returns from 668 farms grouped according to size and capital investment. In every case, equipment includes the value of machinery, live stock, supplies and cash.

This table shows that the man on a farm 40 acres or less in size has $2,447 capital, gets a farm income of $268, and a labor income of $146 only. In the next group the capital is $5,362, the farm income $495, and the labor income $277. Then the farm incomes and labor incomes gradually increase until the largest farms are reached, which have an income of nearly $3,000 and a labor income of practically $1,000.

The receipts and expenses per acre are much the same on large and small farms, but the labor income gradually increases from the small farm to the large one. On the small farm the labor income is approximately 50 cents a day for 300 work days, but on the large farm it is about $3 a day.

The value per acre of land does not vary uniformly with the productivity of the soil. Yields of crops increase as land increases in value ranging from $60 to $80 an acre. Above this point the increase in yield is much less rapid than the increase in market value of land. Hence labor income reaches its maximum point on the $60 to $80 land and thereafter begins to fall.

The profitableness of any particular farm is also influenced by the amount of productive labor performed. It is not unusual for a 160-acre farm to support no larger business than an 80-acre farm. A crop system which takes from 2 to 2½ days' productive man labor per acre provides the largest labor income. Likewise, the profitableness of a farm is affected by crop yields. The labor income increases uniformly as the yield of crops increases.

The conclusion is that the larger farmer receives about twice as much per day as the small farmer for work on crops and about three times as much per day for work with live stock. When one undertakes to purchase a farm, therefore, its size should be taken into consideration if a highly profitable investment is sought.

Commonwealth Power, Railway & Light Company

Worst Appears to Be Passed for This Big Holding Company—Importance of Considering Subsidiaries' Income—Present Position of Preferred and Common Stocks

THE Commonwealth Power, Railway and Light Company is one of the largest and best known of public utility holding companies—a type of corporate organization which has had some of its merits and demerits very forcibly presented to investors during the crisis in utility affairs brought about by the war.

On the one hand, the concern which had bonded its subsidiaries to about the limit, had lavishly issued its own bonds against the subsidiary stocks which it held, and then trusted to the growth of the business and a stability of operating costs which would enable it to skate on its either thin or non-existent equity has found itself well out in the middle of the pond when a hot sun, in the form of increasing cost of operation, began to melt the thin ice surfacing the body of water beneath.

The difficulties have been particularly severe for companies having a preponderance of traction business, such as the American Cities Company, and receiverships have sometimes resulted. On the other hand, the parent company has sometimes been the means of supporting certain subsidiaries which would have succumbed to the ravages of these high costs without aid which, to an independent small concern of limited credit, would have been unobtainable.

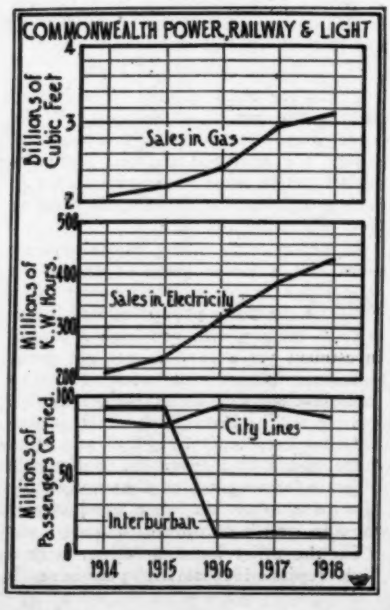
A tardy readjustment of rates, or particularly inflated operating costs, may have reduced such a company to a point of temporary insolvency. The better situated holding companies, in a case of this kind, could lend it money obtained upon its credit or taken from the income derived from the more prosperous subsidiaries, and so tide over the abnormal period without disintegration and failure of the system.

Worst Period Passed

For some years prior to 1917 the Commonwealth Power Railway and Light Company had shown an excellent stability of earning power. After payment of subsidiary interest charges, balances remained which were equal to several times the parent company's charges; the preferred dividend was earned two or three times over, and moderate common dividends were paid. Then came the great advance in operating costs. The net income of 1916 fell off about one fifth in 1917, and then dropped to a little more than a third of its former figure in 1918. The refunding of maturing obligations presented a most difficult task. The 5% dividends on the preferred stock were paid in scrip, the quotation dropping from somewhere in the eighties down to about 44. Common dividends were discontinued altogether, and the market value slid off from 67 in 1916 to 17 in 1919.

TABLE I—SOURCES OF INCOME

	Amount	Per Cent of Total
Gas	$2,847,745	12.99
Gas Residuals and Miscellaneous	1,552,680	7.09
Electric	8,753,543	39.94
Heating and Water	591,372	2.70
Railway		
City	4,308,524	19.66
Interurban	2,934,069	13.38
Freight and Misc.	930,128	4.24
Total	$21,918,061	100.00



It now appears, however, that there has been a definite turn for the better. In March of this year the monthly net income crossed that of 1918 and it has made such further progress that in October it was higher than in any month since November, 1917. Rate increases, together with the heavy demand for public utility service, have gone far to relieve the situation, and there is every indication that the company has definitely passed its most serious troubles.

The operating companies are about eighteen in number, and provide all the usual types of utility service, including gas, electricity, heat, water and transportation, both urban and interurban, passenger and freight carrying. Operating revenues derived from each source in 1918 are shown in Table I.

The electric branch is the largest, and fortunately so, for electric companies have generally been better able to meet the high material and labor costs than the traction concerns. This is particularly true where all or a portion of the current is derived from hydro electric plants. The Commonwealth companies have about 260,000 horsepower, of which about 40% is hydro electric. The greater part of the territory served is in Michigan, including the cities of Battle Creek, Grand Rapids, Flint, Jackson, Saginaw,

Kalamazoo and a number of smaller places.

The operating company here is the Consumers' Power Company, a thoroughly successful concern, and the backbone of the Commonwealth system. The Commonwealth controls it by ownership of all the common stock and a part of the preferred. This is the usual relationship of the subsidiaries to the parent company, although in some cases there is a minority of common stock outstanding in the hands of the public, and the amount of the preferred stock owned ranges from nothing up to the entire issue. The subsidiaries have bonds outstanding, so that they must meet interest charges and dividends on such preferred stock as is owned by outsiders. The balance accrues to the Commonwealth Company. From this balance, from interest on advances made to subsidiaries, etc., it must pay its own fixed charges and then preferred and common dividends.

Obviously the holder of the common stock of a company like this, which is built largely upon subsidiary common stock equities, is dependent for his income upon the maintenance of a sufficient balance of revenues to meet common dividends after the payment of this series of prior charges. This is something which the investor in utility holding company stocks seldom fully appreciates. He fails to realize the necessity of looking behind the mere statement of income of the parent company to find out how much of the total income of the subsidiaries it represents and whether that margin is such that a possible rise in operating expenses will not wipe it out. One can not be too emphatic in pointing out the need of looking beneath the surface in judging the merits of the securities of any company with this type of financial structure.

To get back to the company's field of service, it also serves with electricity Peoria and Springfield, Ill.; Evansville, Ind., and Springfield, Ohio. The gas department, with 950 miles of mains, operates in much the same territory as the electric, while the steam heating confines itself to a few of the more important places. The traction system embraces lines in a number of the cities previously mentioned, together with interurban lines which link them up. It will be noticed that the carrying of freight has been developed on quite a scale on the interurbans.

The first year in which the properties were all operated under the one management was 1914. The income account given in Table II shows the very satisfactory growth of business which has come about since. Fixed charges have pretty well kept pace with the increase in operating revenues, so that when the ratio of operating costs to gross increased a fourth between 1914 and 1918, it made a large hole in the net income, fixed charges being earned only about one and one eighth times in the latter year. Even in a prosperous year like 1916, fixed charges were earned less than one and one half times, so that the company had no large margin of reserve strength to withstand the increase in costs. With the rate increases granted, it has managed to get back on safe ground, however.

Capitalization

The capitalization of the parent company consists of:

Bonds and Notes	$16,747,000
Dividend Scrip	1,881,348
Preferred Stock, 6 Per Cent. Cumulative	17,953,000
Common Stock	18,585,900
Total	$55,167,248

The present funded debt compares with one of $10,000,000 in 1914. The proceeds of subsequent increases have been used largely to make advances to subsidiary companies, the total amount of these advances being $9,860,911 as of December 31, 1918. They rank ahead of the subsidiary stocks, of course, though junior to subsidiary bonds. They serve to account for more than one half of the parent company's debt.

stock is of interest much more from a speculative than from an investment standpoint.

The stock has so much ahead of it that its position as measured by actual tangible assets is most uncertain. In the year 1916, for instance, of net operating revenue amounting to $8,587,986, all but $1,632,572 was consumed by fixed charges and preferred dividends. This balance is before deduction of anything for replacements and depreciation, which is a very substantial item with a concern of this size. Thus, while the income account showed the 4% dividend paid to have been earned twice over, the inclusion of depreciation as a fixed charge would have produced a very different statement of the sum available for dividends, which at best must come from the very tail end of the total income.

Table II.
COMMONWEALTH AND SUBSIDIARY COMPANIES.
Income Account.

	(10 Mos.) *1919*	*1918*	*1916*	*1914*
Gross Earnings	$20,929,618	$21,918,061	$16,962,607	$14,006,484
Operating Expenses	12,342,989	13,418,028	8,374,621	6,761,890
Gross Income	8,586,629	8,500,033	8,587,986	7,244,594
Fixed Charges	6,809,383	7,549,130	5,936,243	5,000,859
Net Income	1,777,247	950,903	2,651,742	2,243,734
Preferred Dividend	897,650	1,077,180	1,019,170	960,000
Balance	879,597	126,277*	1,632,572	1,283,734
Operating Ratio	58.97%	61.22%	49.38%	48.28%
Earned on Preferred	†10.9%	5.31%	14.8%	14.0%
" " Common	†5.7%	....	8.9%	8.3%

***Deficit. †Annual Rate.**

All of the debt is in the form of short term securities. The largest issue is the $8,047,000 Convertible 7% Notes of May 1, 1923, secured by $11,249,000 of the $12,500,000 common stock of the Consumers' Power Company. The earnings applicable to this stock are well in excess of the sum required to meet interest charges on the Notes. While not a thoroughly conservative investment, they are reasonably safe and may be purchased at a price of about 93 yielding about 9% to maturity. They were issued in 1918 to refund an issue of 6% Bonds. The War Finance Corporation took $2,400,000 on condition that holders of the old bonds take 70% in new notes and the balance in cash. They are convertible into preferred stock, par for par, with a 30% bonus in common stock. The privilege is of no immediate, and apparently limited future, value.

The preferred stock is now around 48 and is still paying its dividends in scrip. The return is attractive and earnings are now large enough to make it possible to resume cash payments. Maturing obligations are somewhat of a cloud over it, however, and until some form of permanent financing is completed and the utility situation becomes further stabilized, its status will remain speculative.

The common stock is now quoted around 22. It paid 3% in 1913 and 4% in each of the four succeeding years. At that time it was worth triple its present price. With improving earnings, such as indicated by the reports of recent months, a present purchase might easily result in handsome appreciation in value, but the

VICE-PRESIDENT MARSHALL ON HIGH COST OF LEISURE

THE high cost of living is not the only problem before America, according to Vice-President Thomas R. Marshall. The high cost of leisure is also a menace, he says. "One of the old ideas of the republic was that the limit of striving for success was the limit of capacity and endurance," declared the Vice-President recently. "The real evil which we are confronting today is the high cost of leisure. I speak in a censorious way because I am myself the laziest of the lazy.

"I only beg the thoughtful consideration of younger men who have the good of the republic at heart seriously to consider the problem as to whether the only way in which to meet the increasing difficulties of American life is not by additional striving TO PRODUCE MORE, TO EARN MORE, TO ECONOMIZE MORE AND TO SAVE MORE."

Each American citizen has it well within his power to follow the Vice-President's advice, no matter what his condition. No matter what he is able to earn, whether small sum or great, the securities of the Government, Thrift Stamps, War Savings Stamps, Treasury Savings Certificates, Certificates of Indebtedness and Liberty Bonds give opportunity to save at least a part of his reward of labor.

Possibilities in the Jerome Camp

How Senator Clark and His Neighbors, United Verde Extension and Jerome Verde, Are Developing the District

(Prepared from the Reports of Our Special Representative)

NO group of mines has had a more romantic or spectacular career than the two leading "Verdes," namely, ex-Senator Clark's bonanza United Verde and the James Douglas Verde Extension (Douglas owns most of it and the shareholders some of it). No mine has been more industriously lied about than the "Senator's" Verde, or Douglas' Extension, particularly by the gentry who specialize in issuing reams of certificates with green and red labels, supposed to vest ownership in new mines and near-mines that are going to turn the Senator and his friends greener than their copper ores with jealousy. Of course, this is, to speak bluntly, undiluted bunk.

Neither the Croesus-like big Verde of Mr. Clark nor its little brother, Mr. Douglas' Extension, are self-made mines. Many broken hearts, shattered fortunes, lost hope, remorse, as well as the elation of vast fortunes, percolate through the romance of Verde and its mines.

In the case of Clark's Verde we are informed authoritatively by George Wharton James, in "Arizona the Wonderland" (a classic in American bibliography), that this author knows many prospectors who once owned the United Verde—*when it was a prospect.* "One of them sold it for a burro; another for a quarter of venison; another for $150; another for a one-eyed mule, and still another for a few plugs of tobacco." That same prospect today is worth scores of millions, has produced over a hundred millions in value and paid forty-four millions in dividends. When an Eastern group of bankers wished to buy the property some years ago, the Senator offered it to them at their own price based upon the value of *the ore in sight,* and when this was found to be a sum sufficient to finance a respectable war the offer was withdrawn.

People will also tell you how the shares of the Extension Company, which have held around $35-$45 in recent months after a spectacular climb from $2, $3, $5 and $10, were "positively hawked" around the streets of Jerome for a few cents a share. The discovery and development of this mine is also attributed to luck and chance, and the owners of the original penny stock long-headed investors who foresaw the future.

All which aforesaid would be interesting, were it—alas—anything like the truth. Neither Senator Clark nor James S. Douglas relied upon luck, but businesslike development of promising properties that originally had more promise than copper; they staked their money, business acumen and energy; and this, after all, would lead to success in any other line. The alleged "original investors" in the Extension property received some Irish dividends, several reorganizations, lots of hope, and a chance to see daylight ultimately at around their cost price. I doubt if a single "original investor" benefited by the success of the Extension, or is still registered on the books of the company (I do not include Douglas).

As for the big Verde of the ex-Senator that has made him many times a multi-millionaire, he leased it as far back as 1888 and bought control in 1889, and it was not until about 1892 that regular dividends of about $3 a share were commenced—which did not look like the makings of bonanza mine, as Lake copper was about 12 cents a pound in those days and costs were very high.

WITH prices of the copper stocks at their present low levels, the whole copper situation should be of unusual interest to investors. With this idea in mind, The Magazine of Wall Street recently sent a special representative to study the possibilities of the rich Jerome Camp in Arizona. This article is the result of his investigations.

The Verde District

Let us give you an idea of the lay of the land before describing its goods. Arizona is one of the most versatile of all States in the Union; blends the wild west with the finest culture of the big eastern centers; has empires of arid waste and desert, with equally great tracts of oases and industries, among which its mines predominate. It is estimated that fully 25 per cent of the adult male population of the State is engaged in mining; it contains some of the richest mines in the world (Clark's Verde *is* probably the richest copper property on earth), a dozen different mining districts, a veritable storehouse for gold, silver and copper, one of the world's great sources of mining information, and probably the best and latest methods known to mining science. The latter feature is conspicuous wherever one visits the big producers, from Yuma, near the Mexican line down south, or Navajo, near the Utah border on the north.

Jerome is approximately in the center of the State, about midway between Flagstaff on the north and Prescott on the south. The entire district is a nest of mines, and, speaking in rather broad terms, the "mineralized zone," as mining engineers would say, radiates hundreds of miles around the Yavapai district.

A great number of companies have been formed at various times—in fact about sixty—out of which about 20 were actually operating two years ago. For our practical purpose, you can total the mines that count on the fingers of one hand at this time, namely, the United Verde, United Verde Extension, Copper Chief, Gadsden, and Jerome Verde. There are, of course, a number of properties whose hopes do not apparently seem dead, but they are insufficiently developed or financed to justify much fuss or feathers.

One could speak favorably of Hull Copper, Dundee-Arizona, Calumet-Jerome, and perhaps others; but these are "prospects," not producers.

United Verde Copper Bonanza

The United Verde Copper Company is the big mine that has made copper history, made some millionaires, and placed Jerome, Arizona, on the map. We have described its earlier vicissitudes, and as its shares are not for sale and present no investment features undoubtedly our readers will have only an academic interest in Mr. Clark's wonderful mine. The Senator's attainments are, however, likely to have a permanent interest for the investor in the Jerome mines of the future. He has supplied his mine with a 24-mile narrow guage railroad (which I learn is going to be standardized eventually), which apart from its utility is a curiosity in railroading. As George Wharton James describes it, it is like an "iron snake" winding its tortuous path from the mine to the big new smelter at Clarkdale. This city, by the way, was built for the employees and is comfortable enough to make the workers contented.

Production from this mine consists largely of high-grade copper. The miners have enthusiastically sworn to "outsiders" that they are digging out pure copper from the bowels of the earth, but this must be regarded as the license one allows for loyalty. Undoubtedly the percentage runs very high, and the reserves, as formerly shown, are not readily measurable. There is, in a word, no end to the "life" of this property, and for longevity it probably is in a class with New Cornelia and Chile, if not better.

As a side issue, the mine produces large quantities of gold and silver. The white metal has long since passed the 1,000,000 oz. per annum mark, and gold in the neighborhood of 30,000 ozs. Respectable as these figures are, with silver above a dollar, copper-mining men

look upon their gold and silver production from copper as "velvet" that helps to write down the cost of producing their staple—the red metal.

Production has more than doubled since the early days, when under 30,000,000 pounds of 11 to 13 cent copper was produced. As nearly as I can estimate it, production is pegged around 60,000,000 pounds at present, which around 18 to 20 cents shows what a remarkable proposition the Big Verde really is. A book could be written about the model equipment and development of the property, but as stated there is a mere handful of stockholders (about twenty) sharing in this good thing, and they probably know all about it. This company is capitalized for 300,000 shares of no par value (changed from $3,000,000 of $10 par), and dividends have totaled about $150 a share to date—about $45,000,000.

This company, together with its neighbor, United Verde Extension, makes Jerome, Arizona, one of the coming largest mining districts of the far Western hemisphere.

United Verde Extension

Of almost parallel importance comes the James S. Douglas controlled United Verde Extension, which almost adjoins the "big" Verde on both sides like two slices of bread round a club sandwich. (The enormous area of Jerome Verde intrudes its bulk to compel the use of the words "almost adjoins".) This property has seen its ups and downs during the past two decades, and after many ups and downs of a predecessor company, the old U. V. Ex. Gold Silver & Copper Co., the year 1902 marked the formation of the present concern and, I believe, the connection of James S. Douglas—the latter a close friend of the ex-Senator.

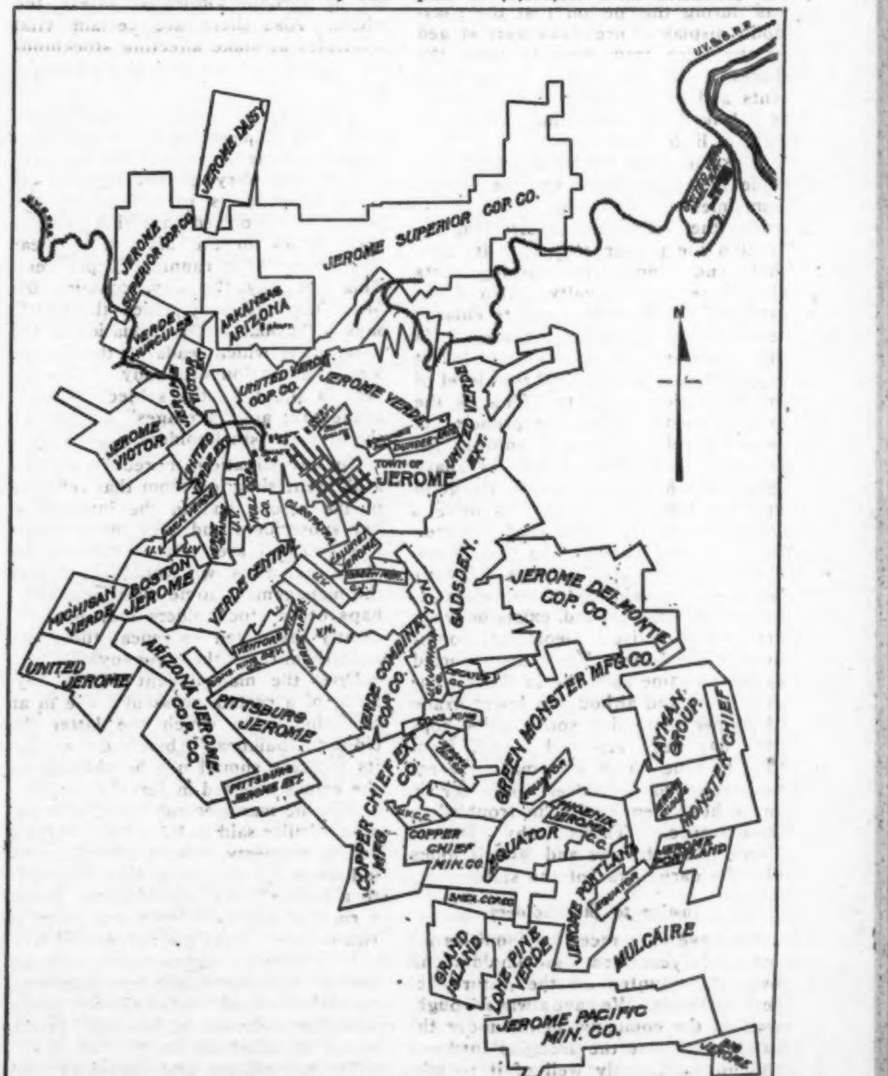
For ten years thereafter the company muddled and struggled along with two more reorganizations before the 1912 reconstruction (capital $750,000, par 50 cents) marked the turning point. In this reorganization, the 1,500,000 shares nominally valued at half a dollar (last year a high of $50 was attained) were used to exchange old stock, pay off debts, provide treasury stock, and, last but not least, to take care of the interests of Mr. Douglas and his associates. It is reported that the latter bought 50,000 shares at 50 cents, received 150,000 for his services, and took an option on 400,000 more for himself and associates at par. We haven't the least doubt that the option was exercised. If Douglas *et al* got a big reward, they undoubtedly deserved it.

Everyone knows that the Extension property has been a huge success from the time Douglas stepped in; it is at least one of the great mines of America; in quality there is no discernible difference between it and its big neighbor. "Doc" Weed thinks it is just as great; other authorities say it is better. A definite clue to its "conservative value" is afforded in the valuation of the company in connection with the amendment of the U. S. Income Tax Law of September 8, 1916. To settle the question of deductions allowable by law the company was asked to appraise its mine as at March 1, 1913, and did so, giving a figure of $40,000,000; this now appearing in the balance sheet. The average price of Lake copper in that month was about 15.5 cents a pound, and now fluctuates between 18 and 20 cents, and I doubt whether copper will go below 15 cents before all international requirements for copper are filled.

This nominal valuation of about $27 a share must be regarded as arbitrary; excellent judges figure that an actual price of $100 or more should be attained and this would only place a valuation of $150,000,000 on the entire property.

If the Extension property is as great as Clark's Verde, then this figure is quite within the bounds of reason. The company's new smelter cost about $2,500,000; its mine equipment, development plans and new railroad are all of the come-to-stay variety. The twelve miles of railroad built by the Arizona Extension Railroad, controlled by the mining company, links the very mouth of its large tunnel, through which its ores are extracted, with the smelter, mine and spur tracks at Clarkdale to the Atchison lines. The tunnel is 11,000 feet in length. This and other tunnels will be linked by another railroad ultimately.

In the last fiscal year the company turned out just under 43,000,000 pounds of copper, earned over $15,000,000 gross and over $3,300,000 net. The company is heavy on depletion write-offs, these items for the last two years alone totaling about $6,000,000. Although the balance available for dividends last year showed a great falling off from the 1917 figures due to higher operating costs and a lower price for the red metal, the trend is ultimately upward. The figures were $3,331,054, compared with $8,256,117; and dividends payments for the two years were approximately $3,000,000, which shows what a great mine the Extension is on such a modest capitalization. In 1917 the company was able to plow back the handsome surplus of $6,576,117 after dividends and



THE JEROME DISTRICT

charges, and last year a further $1,756,-054; this item will be a very formidable one in a few years without a doubt. In 1917 alone the company actually sold over 54,000,000 pounds of copper at a trifle over 24 cents: its record year at a record price.

Jerome Verde—Dark Horse

It would be hard to find anyone interested in mining or mining stocks who hasn't followed the spectacular fortunes of this land-heavy and once water-logged bone of contention that, as will be seen on reference to the map, holds the two big Verde mines at arm's length.

The Edith and Daisy shafts are almost on Jerome Verde's property. It was thought a certainty at one time that the little Daisy Vein ran clean through the property and on this account a large block of its shares were optioned to United Verde Extension. It is said that the latter spent about $50,000 to $100,000 exploring the Jerome mine, and then gave up the option. It was during this period that the spasmodic display of fireworks were staged on the Curb from time to time, the shares rising and falling between 50 cents and $3 according to the "news" as it leaked out from time to time; of which a little more anon.

In April, 1916, an arrangement was made by the Extension and the Jerome companies to do some development work, the Extension undertaking to develop the property through its own shaft and tunnel, for working costs plus 15 per cent. royalty. Also, I understand, the Extension was to enlarge Jerome's big Columbia main shaft (a three-compartment affair) and sink it to link it up with the 1,400-foot level of the Extension property. This is the only interest of the large property in Jerome Verde, so far as is known. Indications, as a result of this work, have apparently been very good; so good that the Extension decided to drive a crosscut from its Edith shaft to open this zone and connect the two mines.

Technical language will not enlighten, but it may be said that a very close relationship, underground, exists between the two minewise. Geological conditions in the Jerome Verde are reported to be the same as those in the Extension mine, and although a lower grade of copper (including some native copper) has been reported found, from time to time, those who made the report seem to be rather sorry for it, and others seem to be "in trouble" in consequence. That's why Jerome Verde is mysterious and why it looks like the dark horse of the stable.

Justice to Stockholders

We have been receiving inquiries for over two years from stockholders all over the country on the future of Jerome Verde. We have always thought well of the company, being under the impression that the Douglas interests thought sufficiently well of it to take an option, and work the property. Certainly *no adverse reports* have come from that source, and our long-distance checking up caused us to speak favorably of the stock as a speculation.

But we have noticed some peculiar gyrations in the stock; one month inactive, then a sudden bulge to dollars a share, then a gradual settlement to around fifty cents, and no more news. Subscribers report that you can buy or sell 50,000 shares without moving the price, and that seems peculiar. We remember when the Standard Oil Company wished to kill trading in oil on the Consolidated Exchange years ago, they fixed the price at a certain figure and were willing to buy or sell any quantity at no more or less. This was an effective manacling of speculation; so it is with Jerome Verde. We became curious, and decided to investigate on the spot—as we always do when our interest is aroused.

If Jerome Verde is another big mine in the making, then the entire district comes up to our expectations that America owns another Golconda in copper camps. It is important to measure up Jerome Verde to assess the whole. Also there are certain vital principles at stake affecting stockholders' rights that are not to be glossed over.

In the annual report to stockholders lately, ore shipments for the past year were given as *averaging* 9.6 per cent. copper, and very casual mention is made of progress in the mine. We have been informed that rich ore has been struck in the Main Top shear zone, some of it running 60 per cent. This zone, by the way, contains the Main Top ore body which the report says is "probably a continuation of the shear zone which leads to the United Verde Extension ore body." The report is silent on the subject of high-grade ore; and "averages" do not tell the story to stockholders.

Our investigation, moreover, showed a different situation from that reflected in the report, and in the interests of our subscribers and very many stockholders who are getting anxious for some real news, we would like to ask the management some questions. Perhaps other stockholders may be sufficiently interested to repeat them and send them in to the company.

Does the management know anything of a certain crosscut made in an adjoining mine which the latter decided to "bulkhead" (barricade) so that its workers should not be able to see the values exposed in Jerome Verde?

Has the management heard of a diamond-driller said to have been working on its property, who was sufficiently indiscreet to display a very rich core to a broker? As reported, this caused a rush of buying from a few cents to two dollars? Was the rich core a fact?

It is reported that this same diamond-driller is taking refuge in Canada, apparently "scared" of somebody, something or someone in Jerome. Is this so—if so, why?

Do the officers and directors consider themselves the trustees of their stockholders, and do they know of any special reason for mystery and secrecy? Does not their policy do more harm than good ultimately; and aren't stockholders entitled to the facts anyway?

Does the management wish to perpetuate itself indefinitely? If not, why has there been no quorum for the past two annual meetings, and why at the November 10, 1919, meeting at Phoenix, Arizona, did one of the large stockholders of California only vote 25,000 shares out of 275,000 shares held, when if he had given a proxy on all his stock there would have been a quorum?

We recall that Mr. Douglas and friends were consistent bulls on the stock when it was selling at dollars a share. Do they think any less of it at under fifty cents now that the company is shipping ore, which, according to the *Jerome News* of December 5, 1919, is developing as follows:

"The total shipments for November will be right around 550 tons against a little less than 300 tons in October. The average copper content is running *well above ten per cent.* A great deal of the ore that is now moving forward comes from the rich lens opened a *month or so ago* in the hanging wall of the Main Top stope. This lens runs from 15 *to* 39 *per cent.* in the red metal."

Where is the enthusiastic publicity man who, when the stock is dead under fifty cents, finds nothing to enthuse about in 30 per cent. ore?

Mr. Douglas has been the largest holder of United Verde Extension; we have shown his interest previously. His company has in its own name over 500,000 shares of Jerome Verde stock, or almost 10 per cent. of the total outstanding stock. Is this some of the old "option" stock? Was the option exercised? How does United Verde Extension come to speculate in Jerome Verde, and why?

We have heard that the United Verde Extension possibly has a much larger interest than as above disclosed; possibly in other names. Is this so? And how about the Senator? Is it possible that this astute mining man has been dormant while his close friend, James Douglas, has been active in Jerome Verde? What does the Senator think of Jerome Verde? Please tell us.

A steady absorption of surrounding properties by United Verde Extension, Mr. Clark, Mr. Douglas and associates is reported either singly or in combination. This may be a good thing for the district, but the stockholders would like to have some of the crumbs that fall from the rich man's table. Aren't they entitled to it, Mr. Douglas? Consider the paradox of a property forging ahead and improving in value, while its stock declines in inverse ratio to the mine's advance. Funny proposition.

Our conclusion is that the entire district is on the eve of big developments. With two great mines of the world in juxtaposition, and a third potential one sandwiched in between, and others of great promise dotted to left and right of them, the Verde district of Arizona has come to stay. One day, we believe, its stocks will sell at "fancy prices."

Nevada Consolidated Copper Ends an Unpleasant Year

Copper Producers Welcome 1920—Nevada's Rising Costs—Financial Position Improving

WHEN the time comes for the office boys to tear down the 1919 calendars from the walls and hang up the calendars for the new year in their place there will be a few people in industrial America whose chief sensation will be one of relief. In this category not the least prominent will be the copper men.

It has indeed been a bad year for them. Reviewing a few of the hardships they have had to contend with and the obstacles that have been set in their way, one gets the impression that producers of the red metal have been singled out for particularly severe chastisement at the hands of Providence. None of them escaped.

An overstocked market was the first trial imposed, and it couldn't have been avoided, at least by the producers. Every camp within the reach of the Allied treasury funds had been speeding up production, increasing output, for all it was worth for four tremendous years; governments were on their knees with the plea "another ounce means another cartridge"; patriotism and big profits—an admittedly strong combination—were urging the copper men into a perfect frenzy of accomplishment. Then, almost as suddenly as the explosion of one of those shells they had been helping to make, hostilities ceased and the huge war requirements disappeared. The American producers, who had borne the brunt of the copper-hunger for the war period, were left with their own abnormal supplies on their hands; in addition to that, they had to take over large supplies from the Government to prevent their being thrown on an already demoralized market. It was a situation which might possibly have been foreseen but which, under the circumstances, could not have been prevented.

Labor Troubles Next

Then came the labor difficulties, reaching their height in the summer of 1919, and making still further inroads on the reserves of the producers. As though costs were not high enough already, wages practically had to be advanced, and this on a greatly diminished production, with the price of copper down around 18¼, or nearly 5 cents per pound below the year's high figure.

The most recent blow, and perhaps the most severe, was the failure of the Peace Treaty, with all that means as to postponing European buying. As one prominent copper man put it to us: "The fact that the peace fell flat in itself makes no difference; sales could be effected under the technical 'condition of war' in which we find ourselves at the present time. But nobody wants to sell to bankrupt nations, no matter how big their requirements are, so long as their credit is no good; and their credit won't be any good as long as their ostracism continues. The Peace Treaty in my opinion is of secondary importance to the establishment of international credits; but I suppose the bankers can't go ahead until the Government shows the way."

Nevada No Exception

The Nevada Consolidated Copper Company has been no exception to the rule where hardships in the copper-production game are concerned. The company's production from the beginning of 1919 has been throttled down to a basis of 50 per cent. of capacity, averaging 3,891,801 pounds per month in the first quarter of 1919, 3,716,251 pounds in the second and 3,112,251 in the quarter to September 30th. These figures compare with an average production of 6,500,000 pounds per month for the first six months of the preceding fiscal year.

> **This article contains new and interesting figures showing Nevada Consolidated's costs, which have been obtained direct from official sources. With copper metal at 18 and a fraction cents, costs are a very significant item, hence these figures are important.**

The decrease of over 600,000 pounds in the third quarter of 1919 as compared with the preceding quarter was due to the labor fracas in August which caused the closing down of mine, mill and smelter completely for nearly the entire month. The president of the company stated that this shortage could be made up in the final quarter of 1919 if industrial and market conditions warranted. Computing the production for the year 1919 on the basis of these monthly averages the Nevada Consolidated's output for the year ought to approximate 42,000,000 pounds, comparing with 90,735,287 pounds turned out three years before.

Labor troubles—that bugbear of the year 1919—were as severe and expensive in the Nevada Consolidated camp as anywhere else. As stated above, the whole works had to be closed down on account of labor disputes for practically an entire month. What is worse, the strike came at a particularly inopportune time for the company, throwing the burden of the extraordinary costs which usually attend a shutdown, plus the ordinary fixed and general overhead expenses for the month, upon a materially reduced tonnage. The exact effect these unusual expenses had on the company's cost sheet is unimportant; but it is perfectly plain that they forced costs pretty far up for the period.

Advancing Costs

Costs of the Nevada Consolidated Company during the nine years from 1910 to 1918, inclusive, rose from a minimum of 6.97c to a maximum of 16.60c per pound. In the quarter ended September 30th, of the current year, the cost of production, including charge for depreciation of plant and the usual overhead or fixed and general expenses, but without credit for gold and silver values and miscellaneous earnings, was 21.68c per pound. The value of gold and silver recovered and the miscellaneous income earned for the quarter amounted to 1.42c per pound.

The unusually high costs for the third quarter of 1919 can be directly attributed to labor troubles. They were further increased by an advance in wages which became effective in July. In addition the advanced price of materials was an important factor.

Since practically all these factors responsible for the hign costs in the current year have been of a most extraordinary nature it would be manifestly unfair to take them as anything like average figures. They represent nothing more than the effect of unusual conditions. At the same time, it would be futile to attempt to estimate future costs of the company, because of the exceedingly disorganized state of the copper market and the uncertainties which surround its immediate future. It can be safely said, however, that with the return of the industry to anything like normal, costs will undergo a corresponding reduction, especially when the time comes again for the order "full steam ahead" to be given to the production department.

TEN-YEAR REVIEW OF NEVADA CONSOLIDATED

	Copper Produced Pounds	Net Earnings	Dividends	Surplus Increase
Year ended Sept. 30, 1910	62,772,342	$3,580,786	$2,982,644	$472,652
15 mos. ended Dec. 31, 1911	78,541,270	4,336,216	3,746,894	44,024*
Year ended Dec. 31, 1912	63,063,261	4,823,839	2,999,137	1,343,395
1913	64,972,829	3,483,886	2,999,185	102,534*
1914	49,244,056	1,763,020	2,249,389	779,016*
1915	62,726,651	5,905,601	2,999,185	2,558,929
1916	90,735,287	15,435,359	7,497,963	7,504,087
1917	82,040,508	13,180,525	7,298,018	826,882
1918	76,607,062	3,402,070	6,648,235	3,246,164*
1st quarter 1919	12,201,444	111,159*	749,796	860,955*
2nd quarter 1919	11,149,362	184,777	749,796	565,018*
3rd quarter 1919	9,336,753	464,449	749,796	285,347*

* Decrease.

The production and result figures as tabulated are the direct operation of the Nevada Consolidated's own mine. In addition to the ores mined and smelted for its own account, as per above, the Nevada Consolidated has treated during recent years at its reduction plant at McGill a considerable tonnage of custom ores on toll-contract basis. During the year 1918 the production of toll copper was about 17% of the total output of the company's Steptoe plant.

Following are the total per pound costs of production for each year from 1910 to 1918, inclusive, after deducting credit for the values of gold and silver and miscellaneous earnings. It should be carefully noted that these cost figures include all overhead, administrative and fixed and general expenses, reserves for taxes and also a charge to cover depreciation of plant and equipment. The figures, as printed, are official:

Year ended Sept. 30, 1910	7.05c
Fifteen months ended Dec. 31, 1911	6.97c
Year ended Dec. 31, 1912	8.33c
1913	8.68c
1914	9.82c
1915	8.23c
1916	8.86c
1917	11.68c
1918	16.60c

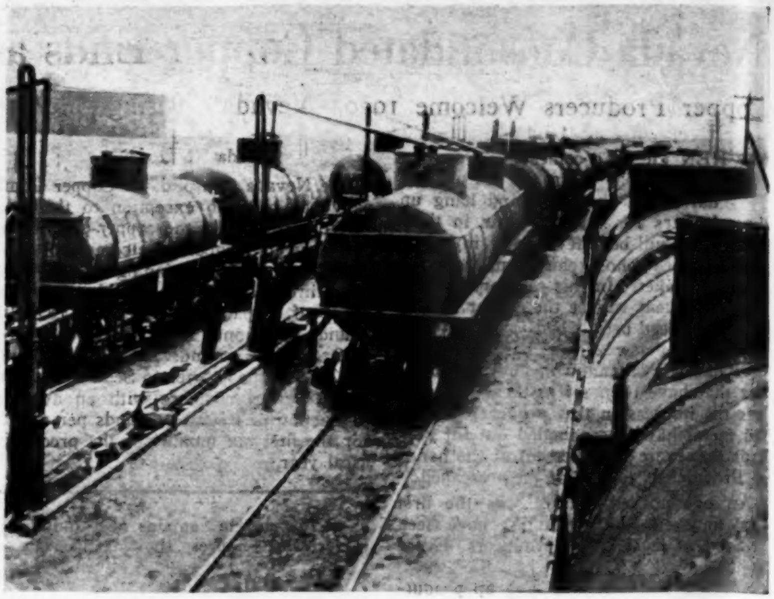
Financial Position

The financial position of the Nevada Consolidated Copper Company at the present time, although it is far from as good as might be, is nevertheless reasonably strong. When it is considered that net earnings have declined from a record high of $15,435,359 in 1916 to $760,385 in the first three quarters of 1919, or at the rate of slightly over $1,000,000 for the year, resulting from the decreased production and the high costs noted before, it is plain that the company has undergone a pretty severe reverse; at the same time, there isn't a man in the copper trade who does not look for a smart improvement both in demand and in prices during the year ahead of us. People in a position to know do not believe that Nevada Consolidated's costs will go any higher, and that restoration of normal conditions in the trade will enable the company to make a comparatively good showing for 1920.

The current price for the stock of about $15 a share compares with a high in 1916—the banner year—of 34⅛. Comparing the two figures, it seems evident that the worst has been well discounted. Nevada Consolidated, although a high-cost producer, has always been a good earner under anything like good conditions, and the policy of the company to pay out generous amounts in dividends is well known.

Ore reserves of the company, as of December 31, 1918, were 68,549,644 tons, averaging 1.57 per cent. copper. These reserves give the mine an estimated life of about 16 years ahead of it. In addition it is known that extensions of ore bodies exist and are available for development, and there are some interesting rumors around the Street that the company may further add to its possibilities through the absorption of other properties. Altogether, the present price of the stock seems very conservative.

In conclusion it may not be irrelevant to note that the copper stocks have not shared in market activities on the upward side in many months. On the contrary, their periods of activity have been almost entirely confined to bear markets, in which professionals have capitalized the timidity of the many small holders of the copper shares. The net result has been to relieve the copper groups of practically all weak accounts as well as to reduce prices to a point which fully discounts the recent hardships of the trade.



FILLING TANK CARS

Oil is today in the investment limelight and many new flotations are attracting the attention of investors. The record of California Petroleum is worth investigating

California Petroleum Improves

Gradually Overcoming the Handicap of an Unfavorable Start—Important Effect of Oil Land Leasing Bill

By C. N. LINKROUM

AFTER passing through a period of seven uncertain years, the California Petroleum Corporation now appears to be in a better position than at any time since it was organized in September, 1912. Following a period in which earnings fell off to such an extent that dividends on the preferred stock had to be reduced, the company's profits have recently increased sufficiently to liquidate the back dividend arrearage and have again reached a point where a reasonable percentage of earnings is shown on the common shares.

At the time the California Petroleum Corporation was formed and its securities introduced to the public, it was more difficult to float oil stocks than at present. This was one of the first of the oil securities to be listed on the New York Stock Exchange, and, while Wall Street had not yet been educated to buying oil stocks, the California Petroleum stocks made an auspicious start owing to the liberal dividend policy inaugurated by the management, the favorable earnings and character of reports on the properties and also because of the favorable record of its sponsors.

However, the market record of the company's securities soon started on a downward curve extending over several years and reflecting the disappointing operations of the company. Investors who purchased the common stock above $70 a share on a 5 per cent. dividend basis saw their holdings drop to less than $10 a share with no dividends, and the preferred stock, which sold above 95, fell below 30, with the dividends reduced from 7 per cent. to 4 per cent. per annum and no prospect of the back dividends being paid.

A number of factors contributed to the adverse showing made by the company after a short period of prosperity. Some of these were unavoidable and unfortunate, while others were the result of unwise handling of the company's financial affairs and probably due to overzealous efforts to favorably influence the company's securities.

A Bad Start

Starting with earnings at the rate of 8 per cent. per annum on the common stock in the company's first three months of operation, the directors immediately placed the common issue on a 5 per cent. dividend basis. With no established record of earnings, the company began distributing practically all of its profits in dividends. Plainly this policy was not consistent with the best interests of the company from an operating standpoint, and the folly of this policy, as in most similar cases, was subsequently demonstrated.

The initial troubles of the California Petroleum Corporation came with the discovery of salt water in some of the wells, resulting in a serious decline in oil production and a consequent drop in earnings. Later the company was able to increase its production, but this occurred at a time when there was a gen-

eral overproduction of California crude oil and a period of unusually low prices. It therefore became necessary for the company to make contracts for its output extending over a relatively long period at very low prices, and when crude prices turned upward it was found that the California Petroleum Company had its production tied up at unprofitable prices.

Gradually, however, the company has emerged from this condition and appears now to be getting the benefit of favorable prices for a substantial production of oil. In addition, the company has disposed of considerable storage oil at current prices and has found it possible to restore the full rate of dividends on the preferred stock and to pay off the back dividends.

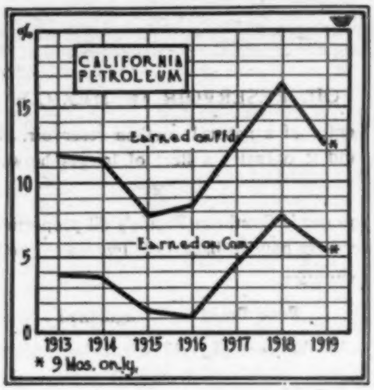
Earnings are now running at the best rate in the company's history with indications that they should continue on a satisfactory scale under present conditions in the petroleum industry.

Of course, it is only the present era of unprecedented prosperity in the oil trade that has made possible the company's rapid recovery of the past year or so and any temporary depression in the oil business would soon be reflected in the company's profits.

Has Expanded but Little

It is difficult to make predictions as to the company's future. One thing seems to be quite evident and that is that the company is not of the aggressive character which would lead to any great expansion of its operations. Throughout more than seven years of operating the company has confined itself to a few fields in California and has also confined its operations strictly to the producing end of the business. Recently it has been reported that the company has developed a substantial production in a new district in California and its prospects in this locality at the present time appear promising, although it is understood that the company has a rather limited acreage in this field. It has also been announced that the company has acquired leases on a considerable acreage in North Texas but it is doubtful whether development operations will be pushed in this direction.

In reviewing the company's present condition it appears that its production now amounts to about 10,000 barrels a day with indications that it will continue around that rate. A production of this size should not be confused with a similar production in North Texas, Oklahoma or the Eastern fields of the United States as the latter grades of oil have a paraffine base while California crude has an asphalt base containing less gasoline and therefore bringing a lower price.



At the present time the average price for California crude is around $1.50 per barrel compared with $2.50 for North Texas and Mid-Continent oil and $4.50 a barrel for Pennsylvania. Under present conditions, however, the company is able to make a satisfactory earning showing as may be judged from the following table comparing the latest reported net earnings available for the dividends with those of previous years:

1913	$1,452,481
1914	1,424,546
1915	831,515
1916	1,041,462
1917	1,531,320
1918	2,028,502
1919 9 mos.	1,489,221

Another factor which may be considered as pertinent at the present time is the company's position in respect to operating on Government withdrawn land. Part of the company's acreage is in this class and it is understood that the company now has over $1,000,000 representing the proceeds of production from Government land, which is now impounded and which it is understood would be released if the Oil Land Leasing Bill now before Congress was passed.

Prospects for Stocks

The release of such a sum might be expected to result in a distribution on the common stock, but it must be considered that before paying any dividends on the common the company is obliged to set aside as a sinking fund for the bonds and preferred stock a sum equivalent to 5 cents a barrel on all production and it is understood that there is a considerable arrearage on this item at the present time. Even though this sinking fund were fully protected it would seem unwise for the company to make a disbursement to common stockholders as any surplus money might better be used in providing for an extension of operations.

The preferred stock, in view of the company's record cannot be regarded as a safe investment, but it looks like a fairly attractive semi-speculative issue at the present time. The preferred issue is surrounded with some strong protective features and would share with the common stock in any dividends above 7% on that issue. The common stock must, of course, be regarded as highly speculative.

The record of the California Petroleum Corporation might with profit be looked over by investors and speculators who are interested in some of the newer oil flotations at the present time. Many of the new companies start out in a less favorable position than did the California company in 1912 and any developments of an unfavorable character would likely have an effect on these companies far more serious than that experienced by the California company.

Magnolia Petroleum Strengthens Position

Working Capital Deficit Converted Into Net Assets—Not a "Standard Oil Subsidiary"—Producing Department of Company Growing

AN ordinarily successful oil company starts out as a producer, adds to its production until it finds it more economical to do its own refining than to sell its crude oil to a refiner, develops a distributing organization and thus becomes a "complete cycle of the oil industry." Magnolia reversed the usual procedure by starting as a refiner and distributor, acquiring new acreage and leases, and developing its producing organization until it now supplies a good proportion of the total revenue of the company.

Incorporated in 1911, the company now owns three refineries of a total capacity of 48,500 barrels a day, located at Beaumont, Fort Worth and Corsicana, Texas. It controls 505 distributing stations, in Texas, Oklahoma and Arkansas, and gets its crude oil through 1,242 miles of pipe line tapping the Healdton and Cushing fields of Oklahoma, with spur lines to the Ranger and Desdemona fields in Texas.

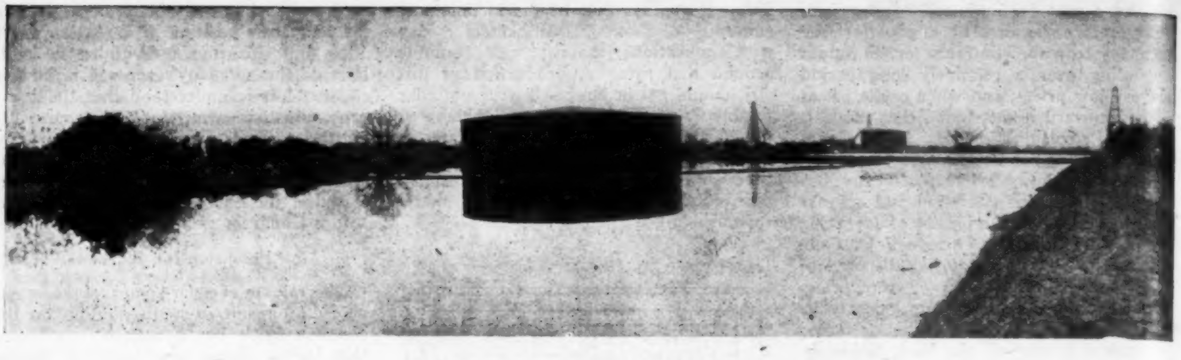
Mexican oil has also begun to figure in the company's operations, as it now operates a fleet of five barges carrying oil between Tampico, where many of the huge Mexican gushers are located, and the new oil port of Aransas Pass, Texas.

With the acquisition in 1917 of the property of the McMan Oil Co. in Kansas and Oklahoma, by a cash purchase of $35,000,000 began the career of the company as a producer. In addition to producing leases then estimated at 25,000 barrels a day, Magnolia obtained 80,000 acres of unproven leases and about 2,000,000 barrels of oil in storage.

Production figures for this year are available which show that for the first three months the company averaged 13,055 barrels a day, and in the second quarter 19,704 barrels. Since then the company is known to have brought in new wells in the Desdemona and Ranger fields which increase the production by at least 11,000 barrels daily. At current rates the producing end of the business should net around half of the total gross income.

The Standard Oil Connection

Magnolia is often referred to as a Standard Oil subsidiary, although it is not



OIL RESERVOIR IN MEXICO

This view shows a tank standing in the center of a natural earthen reservoir. Mexican oil now figures in the operations of Magnolia Petroleum, and it operates a fleet of barges between Tampico and Texas.

one in any sense of the term. What really happened was that Folger and Archbold, among the early directing geniuses of Standard Oil of New York, bought up for their own account a good many shares of Magnolia stock.

Early in 1918 the company felt the need of more working capital, and so decided to double the authorized and outstanding common stock. Standard Oil of New York took this opportunity to buy out all but a small part of the holdings of the Archbold estate, together with the rights to subscribe to new stock involved, and also bought from Mr. Folger a sufficient number of rights, though not of stock, to increase its holdings to about 45 per cent. of the total new capitalization.

A by-law of the company, however, provides that stock held by or for a corporation shall not have any voting power, though it may participate in dividends, rights to subscribe to new stock, and other privileges of the common stockholders. Standard Oil of New York, therefore, cannot directly control the policies of Magnolia Petroleum.

The company has business connections of great importance with Standard Oil in the shape of contracts to furnish various grades of refined oil to a number of Standard companies, including those of New Jersey, New York, Kentucky, and the Anglo-American Oil Co. In addition Magnolia supplies 3,600,000 barrels of fuel oil annually to the Southern Pacific RR., though this contract may be allowed to run out if Southern Pacific's oil properties recently handed back to it live up to their reputation.

Weak Position Strengthened

At the end of 1917 the balance-sheet showed a deficit of current asset under current liabilities of $3,276,039, caused largely by a top-heavy item of accounts payable and by a considerable amount of advance payments. This situation was corrected early the following year by increasing the common stock from $30,000,000 authorized and $22,000,000 outstanding to an authorized amount of $60,000,000, of which $44,003,600 are outstanding. As a result in the following year the net working capital stood at $27,552,148, or about $62 a share, which seems ample for ordinary needs.

Some of these new funds appear to have been invested in Liberty bonds, as these are carried at $7,775,950 for 1918, compared with $467,350 the year before. Inventories were but slightly increased, while the property account has moved up with amazing rapidity, as shown by the accompanying figures.

The company appears to be able to finance its operations with less cash and more accounts receivable than previously, as the former item has been going down while the latter is going up. At the same time it is doubtful if the working capital position of the company is yet assured. Deducting inventories, Liberty bonds and Treasury certificates from current assets, and deducting advance payments from current liabilities, we find a deficit still existing of $2,564,025, almost as bad as that of 1917. New capital therefore seems to be needed for the company's operations.

As the attached table shows, earnings have been increasing steadily, particularly within the last few years, while requirements for bond interest have been showing an actual decline. Dividends for this year have been 6 per cent. regularly with extras of ½ per cent. quarterly, the regular rate dating from 1916. A stock dividend of 100 per cent. was declared in 1914 and one of 25 per cent. in 1915, and it is possible that some such action may be taken within a short time, in view of the good earnings of the company and its need for fresh capital.

SIX-YEAR GROWTH OF MAGNOLIA

	Net Income	Bond Interest	Surplus for Year	Refineries, Pipe-lines, etc.
1913	$2,632,636	$375,000	$1,896,368	....
1914	2,376,561	435,000	1,382,294	....
1915	2,680,031	551,706	813,511	$13,135,550
1916	11,427,305	587,760	8,620,753	25,268,909
1917	11,699,299	528,486	9,428,493	93,716,870
1918	18,616,391	499,845	12,142,271	113,021,160

Capitalization

If the company gives stockholders the right to subscribe at par, the privilege will be of considerable value, as par is $100 and a recent quotation for the stock was 445-455. In addition to the common stock, mentioned above, the company has outstanding $9,508,000 of First Gold 6s, due 1937. These bonds are subject to call at par and interest on thirty days' notice, and close to half a million of the original issue have already been retired. A sinking fund amounting to 1 per cent. of the outstanding funded debt is set aside every year for purchasing or redeeming the debt. The bonds are tax free and a first lien on the entire property, carried on the books at eleven times their value. Their yield at a late price of 98-101 is 6 per cent. or a trifle higher, which is very good for a bond so well secured.

The price of the common stock seems to have discounted for the time being both the assets and the high earning power of the company, and even the possibility of a stock dividend. The property seems to be intrinsically good, and in view of the probable future prosperity of the oil industry may eventually reach even higher levels, but we think that there are other oil companies, including Standard Oils of the same merit, which are selling proportionately cheaper.

"Fuel-Oil Johnny" Comes Home to Roost

The Bright Prospects of This Lusty Infant Industry—Recent Developments Fast Shaping Toward Remarkable Oil-Burning Era—Something About "Colloidal Fuel," the New Coal-Oil Fuel—Commercial Proofs of a New Industry

By **B. L. GOODRICH**

ON December 1st, 1919, just a few days ago, the advertisement of the Petroleum Heat & Power Company appeared in most of the leading newspapers, announcing its readiness to equip oil burners in buildings. This notice appears to be such an important step forward in the career of Fuel-Oil Johnny that we reproduce it (in part); it speaks for itself, and—most eloquently.

On the same day, the Fuel Oil Rules of the City of New York, adopted by the Board of Standards and Appeals on November 6th, 1919, became effective. These rules, issued in a 13-page pamphlet, are not in the mysterious language one would expect in the case of any "new-fangled" idea. They are framed in deliberate, simple, business language and take for granted that Fuel-Oil Johnny has come to stay for good.

The people behind the Petroleum Heat & Power Company, besides the officers named, include General T. Coleman du Pont of explosive fame, William G. Durant, head of General Motors, Edward L. Doheny of the mammoth Mexican Petroleum Corporation, and their associates. These men are neither visionaries nor experimenters. The new company is already assured of "raw material" through a contract it has made with the Mexican Petroleum Corporation which will not expire till 1930, and the oil will be delivered by its own fleet of motor "tankers" direct to the owner's storage tank in the basement of his building or house. Deliveries are contemplated daily if necessary, along with the milk, ice and groceries. Incidentally the editor of THE MAGAZINE OF WALL STREET predicts that in the next few years when a sufficient number of the new-style plants are installed to justify the expense, it would not surprise him to see fuel-oil supplied through underground pipes and the familiar faucet in the family kitchen and cellar; which is not improbable and may lead to the 1930 advertisement: "Desirable hall-room; running water, oil, gas, electric—all conveniences." We should say so.

This question of piping oil through city streets does not to the writer's mind present any insurmountable difficulty or fanciful project. The arguments against have been largely the confusion that might arise in city streets through the congestion of existing pipes; its expense; and remote practicability. Each must think for himself, and the man with the broadest imagination and smallest prejudices will probably think correctly. I recall in reading the history of the old Manhattan Company (now the Bank of Manhattan) that this venerable old concern unable to secure a charter for banking adopted the polite camouflage of incorporating as a water company "to supply the Borough of Manhattan with pure water." Its old wooden pipes are still dug up occasionally in lower Manhattan; Father Knickerbocker drank a lot of the pure water carried by the wooden pipes, and the company still carries on its business at the old stand. Nothing seems impossible these days.

The Fuel of the Future

Mr. Robert Adamson, vice-president of the new P. H. & P. Company, pointed out recently that the company comes to fill a public want and to avoid the vexation and cost attending the use of coal in public and private buildings. He believes the "age of fuel oil" has arrived, and states that the men behind his company went into it because after careful study of its possibilities they are satisfied they can render constructive service to the public. Anyone at all familiar with coal furnaces, especially the variety that persist in dying out at 3 a. m., when the thermometer is ten below, will endorse Mr. Adamson and hope that the company's backers will make good. The saving of time, labor and expense is too obvious for special comment.

We understand that the new company has a capital of $2,000,000 privately underwritten by New York and Boston financiers, and that none of its stock was ever offered or is for sale.

The conversion of coal-burning apparatus to oil-burners is apparently a simple matter for the new concern which has worked out all the problems and can make the conversion without inconvenience, as claimed, to the owner; nor is the present heating plant interrupted pending conversion. With 5,000 buildings already equipped and branches being opened in all the large cities in the East, it is evident that the new energy is beyond the experimental stage both for domestic and commercial uses.

Mr. Adamson, voicing his own opinion and that of his associates, says, "We believe that oil is the fuel of the future."

In this connection I notice that during the coal shortage recently that has affected England to a greater extent than this country, a government appeal was sent out to large fuel-users to employ a new substitute, the residue from crude petroleum after extraction of gasoline and kerosene. The substitute "mazut" is a heavy oil residue of lower calorific value but still retaining a high degree of heat-giving molecules that chemical processes failed to extract. The British Government offered to deliver "mazut" in large quantities to concerns willing to convert their boilers from coal to oil. The new fuel is higher priced but has better burning qualities with less waste than coal; also less labor is required in operation. The difficulty has been in the time that British workmen would take to convert the old boilers to the new style, but American engineers have offered to do the job within six weeks.

AN OKLAHOMA SCENE

Oil production takes on a new significance when we consider the possibilities of the age of fuel oil. This is one of the fields which is supplying its share of the world's oil

Something New—Colloidal Oil

On top of these developments comes the latest discovery—colloidal fuel, the credit for which belongs to the Submarine Defense Association, a private enterprise that cooperated with the United States Navy and British Admiralty in beating the U-boats in a sort of anti-U-boat defense force that studied submarine warfare, and used a regular naval vessel for its experimental work.

In this work, the Association received the hearty cooperation and assistance of the technical departments of some of our largest corporations, such as the Eastman Kodak Company, the N. Y. Edison Company, the I. R. T., American Smelting Company and others whose names are synonymous with American Industry. The big man behind the work both in the experimental and development stage was Lindon W. B. Bates, head of the Engineering Committee of the Defense Association. Mr. Bates is rated as one of the leading experts on oil fields, fuel oil and coal and the motive behind his investigations commenced with his desire to supply the Grand Fleet of Democracy with a never-failing source of fuel.

During the war, neither coal nor oil could fill the gap. Some of the largest coal veins in Italy and England although "mineable" were not worth mining because of the leanness and expense, to say nothing of the time involved. Supplies of oil were cut off from its Russian and Roumanian allies, while American oil, although plentiful, had to dodge too many submarines.

The idea of Mr. Bates was to mix low-grade English or Italian coal in pulverized form with American oil, but although these ingredients were allies in warfare, they refused to "mix" physically or chemically. The law of gravity operated against the success of the idea, and coal-dust, being heavier than oil, would sink to the bottom of the mixture. Everybody knows that coal is insoluble and oil a poor "mixer" with anything but its own kind. The problem developed to put the coal particles in the oil and keep them "put"; Mr. Bates was determined to achieve the impossible by keeping coal suspended in a fluid although no one had succeeded in doing this before. Hence, chemical suspending fluid was invented, whose ingredients are still a secret, that succeeded perfectly in defying the laws of gravity; or rather helping gravity by holding the particles of coal up in the air (or in the oil so to speak.) This fluid, known as the *fixateut* combined with oil and lean coal dust makes the new viscid, black and heavy new fuel styled *colloidal fuel*.

According to experts the *fixateur* functions perfectly at all times. Long months may cause a settlement of the coal particles, but a long stick and a few vigorous turns will again suspend them as before. The new fuel can be mixed in varying degrees of consistency and percentages to a substance "that can almost be cut with a knife." The value of raising the heat-giving properties of thinly carbonized coal by combining the vigor of oil can be understood by those who sprinkle a little kerosene in the family stove to start the matutinal fire. The coal, thus excited, burns swiftly, fiercely and surely. That is the broad idea, as I understand it, behind colloidal fuel.

More striking still are the possibilities for converting millions of acres of coal-bearing lands throughout the world to productive and profitable commercial uses. It is said that experts from the various large governments, including the railway men from Chile and Australia, the U. S. Shipping Board, Emergency Fleet Corporation and the American and British Shipping Control have all witnessed the tests and are deeply impressed. It is reported that colloidal fuel is ready to heat the world and drive its engines from now on; in a word, ready for commercial use.

The boundless possibilities of this discovery will tax the ordinary imagination. The coal and near-coal deposits of the world combined with oil that comes even from Persia, the Red Sea or Burmah opens up a vista of combination and use that is difficult to limit.

Experiments are still being conducted, and as I understand the position, coal is not always essential for the combination. Coal derivatives such as coal-tar and coal-tar residuals, even peat and other carbonaceous relatives of the coal family can be enlisted, mixed, fixed, and held to make the new wonder fuel.

Oil Is Monarch All the Same

Above all looms the master substitute, fuel oil, that is apparently destined to turn most of the wheels of commerce and comfort eventually; that will save space, work, dirt, money and energy. If it will create newer and better machinery, those whose time will be saved will have more time to think about it, to solve new problems, to give their brawn and brain to something better, even as the Diamond Match Company, with its thousands of satisfied employes, replace the old tinderbox that no one misses.

The present consumption of fuel oil in the United States is already at the rate of over 20,000,000 gallons daily, and the public is only commencing to get an inkling that oil can be used as an external as well as an internal fuel. The advertisement referred to should do much to increase the interest of manufacturers and home-users to the possibilities and advantages of fuel oil, and it would not be surprising to see some remarkable leaps forward in the statistics of use in future years.

Verily, oil is monarch and Fuel-Oil Johnny has come home to roost.

CARGO SHIPS MAKING FABULOUS PROFITS

"I sent the Quistconck on her first voyage to Panama with a cargo of coal," said Mr. Rossiter, formerly a director of the Shipping Board. "From there I ordered her to New Orleans and then gave her a general cargo to Savona and she then returned to New Orleans. The lapse of time on that voyage was 92 days. Her total freight earnings on that voyage were $597,622. The net profits on the voyage were $461,151, after taking care of $37,000 worth of depreciation and $18,900 worth of interest. Ships under private management were exceeding that. Operating for the Shipping Board one of my company's ships —we were the operating agents—made eight hundred and some odd thousand dollars in 110 days. That ship operated from San Francisco to Calcutta and return. It happened to be one of our own ships taken under requisition charter by the United States, for which we were paid the fixed rates and told to operate it in that trade because it was an essential trade. The result of that one voyage was approximately three quarters of a million dollars profit for the Shipping Board over the compensation allowed to owners and over all expenses. That is answering the question as to whether private operators made more money. Some of the profits made by the war rates were simply fabulous, unbelievable."

Comparative Guide To Leading Oil Stocks

Ratings Based on Earnings, Assets, Dividends, Dividend Prospects, Capitalization, Management, Present Price, and Prospects for Advance or Decline (Technical Position)

Explanation: Commencing with our July 5, 1919 issue, we classified and rated oil securities in groups thus: Standard Oils, N. Y. Stock Exchange issues, N. Y. Curb Group, and Miscellaneous. Ratings were assigned, and are here continued from A to G, rating A being the highest and G the lowest. The first named places the security in the investment class, B is a business man's semi-investment, C is a specvestment, D a speculation: E. F. G. are more risky. Owing to the advances in some and declines in others, we have grouped their rating and desirability based upon present prices, and all other factors within our knowledge. The previous series that concluded with the October 18, 1919, issue analyzed 170 active oil issues. We are now listing the most prominent.

Name of Stock.	Par.	Capital in Common Stock.	Div.	Market.	Price.	Three-year Range. High.	Three-year Range. Low.	Net Rating.	Comments.
Anglo-American	£1	£3,000,000	$1.42½	N. Y. Curb.................	29	37	11	A	British representative of Standard Oil group. Shares advanced, but possibilities very great. Peace and free shipping will help.
Atlantic Refining.........	$100	$5,000,000	20.00	N. Y. Curb, Counter-Private.	1,600	1,740	775	A	Going to N. Y. S. Exchange. Under capitalized. Should be worth 50% to 100% more ultimately.
Associated Oil............	100	40,000,000	....	N. Y. Stock Exchange......	115	142	53	B	Controlled by Southern Pacific (see previous ratings and comments). A growing company with promising possibilities.
Am. Cotton Oil..........	100	20,237,100	4.00	N. Y. S. E..................	47	68	21	B	Enjoying record prosperity. Advanced substantially, but can increase dividend; basis for further rise.
Am. Linseed.............	100	16,750,000	3.00	N. Y. S. E..................	69	84	16	C	Subsidiaries prosperous and "concealed earnings." Somewhat high, but intrinsic values justfy price.
Borne, Scrymser..........	100	200,000	20.00	N. Y. Curb & Private.......	470	515	400	A	Conservative old company, and shares well rated. Good investment with attractive profit possibilities.
California Petroleum.....	100	17,500,000	....	N. Y. S. E..................	44	57	10	C	Price advance in line with new prosperity. A specvestment of some merit if oil continues to sell high.
Caddo Central O. & R....	100	15,000,000	....	N. Y. S. E..................	21	40	20	C	Poor market record does not detract from value of properties. Time to buy or average for specvestment.
Columbia G. & E........	100	50,000,000	4.00	N. Y. S. E..................	63	69	26	C	Has held remarkably during recent declines and advance progressively good. Has probably "found itself."
Cities Service	100	50,000,000	18.00	N. Y. Curb & Counter......	400	481	202	C	The preferred stock and convertible debentures look more safe. One of the oil-utility wonder companies of the age.
Cosden Co................	5.00	25,000,000	.62½*	N. Y. Curb.................	9	19	6	B	Quietly "sawing wood." A safe specvestment in a company that has clean record and bright future.
Carib Synd (new).........	25	200,000	....	N. Y. Curb.................	57	60	50	C	A specvestment in Colombia not capable of appraisement, but probable rewards seem higher than risk involved.
Chesebrough Manuf'g.....	100	1,500,000	14.00	N. Y. Curb.................	250	350	240	A	High grade Standard Oil subsidiary having a monopoly in "Vaseline." Seems undercapitalized. Excellent prospects.
Galena Signal............	100	20,000,000	....	N. Y. Curb.................	73	190	79	B	Leading lubricating oil S. O. subsidiary. Reconstruction period and peace conditions should restore prosperity.
General Asphalt..........	100	17,000,000	....	N. Y. Curb.................	108	160	15	C	Recent high prices discount prospects, but market students will find price movements interesting and profitable.
Glenrock	10	10,000,000	....	N. Y. Curb.................	3	20	3	C	Seems undervalued on basis of developments and prospects. A good speculation.
General Petroleum........	100	21,787,800	12.00	'Frisco Ex. Counter........	185	275	100	A	Leading California producer, with Union Oil, Southern Pacific, etc. Excellent investment.
Gulf Oil Corporation.....	100	60,000,000	6.00	Counter	525	560	275	A	Leading company in front rank. Producer and refiner. "Gulf" brands are standard.
Guffey-Gillespie	No par	300,000 shares	....	N. Y. Curb.................	36	40	18	B	Well sponsored; large acreage and big potential production.
Houston Oil..............	100	20,000,000	....	N. Y. Curb.................	160	167	15	C	Capable of extensive development, although stock seems rather high. May, however, fulfill expectations.
Indian Refining..........	100	4,500,000	12.00	Counter	190	....	....	A	A high-grade conservative type of refining security; investment and speculative possibilities.
Island Oil & Transport...	10	30,000,000	....	N. Y. Curb.................	6	10	2	C	Price too low on basis potentialities and complete developments.

*Part in stock. †Mexican currency.

This classification of prominent oil companies will be continued until the list is exhausted. In the next issue we will commence with companies from the letter I to Z. Under present arrangements, we contemplate following with the preferred stock and bonds of all these companies, which securities are naturally more strongly in the investment class. Meantime, inquiries on oil securities will be handled as usual through our Statistical Department.—Editor.

Standard Motors More Than a War Bride

Phenomenal Success of Company That Was Unknown Before the War—Prospects Appear Good—Position of the Stock

FROM a company which barely scraped along in a business that was extremely limited both as to volume and to profits, paying no dividends on its stock, to a company capable of earning 100% on its capitalization and paying dividends of as high as 80% in one year may seem a rather startling transformation. That, however, is just the record of accomplishment of the Standard Motor Construction Company.

The company, which was founded in 1900, was originally known as the United States Long Distance Automobile Company, and during its infancy confined itself largely to the manufacture of automobile engines with particular endurance qualities. This line of business did not prove at all profitable, and the company soon changed its product to marine engines and its name to the Standard Motor Construction Co.

For a period of years, Standard Motors floated along with the tide, improving its product wherever possible. Business was fairly good, though far from large, enabling the company to pay an initial dividend in 1910 of 2%. The big opportunity did not appear until the European war commenced.

The Effect of the War

With the war, and the consequent demand for submarine patrol boats, the business of the Standard Motor Construction Company quadrupled in volume. England was the first big customer, with orders for hundreds of marine engines. The next heavy buyer was Uncle Sam, whose orders called for engines, submarine parts and other appurtenances galore. Altogether, the company's strictly "war" orders are said to have totaled 3,600 marine engines of a total rated capacity of 700,000 horsepower. Most of these orders were completed by the Standard Motors Co. in conjunction with the Submarine Boat Corporation, a community of interest springing up between the two companies which has, to some extent, continued ever since.

There was no mangling of orders by the company. They were executed efficiently and how profitably is to be learned from the official figures which showed profits on war orders during 1917 of $1,855,375 and in 1918 of $1,662,124. What is more, payment for the company's products was made in perfectly good cash.

Dividends jumped with profits, the Standard Motors board maintaining its long established policy of paying out large amounts in extras wherever that was permitted by the annual returns. In 1917 the first extra of 10% was paid; and in 1918 the company paid out 20% each quarter, making a total disbursement for the year amounting to 80%, or $8 per share on the 180,000 shares of stock outstanding.

Many companies which diverted their output to manufacturing war material during the European conflict found themselves unable to capitalize their war work when the armistice was signed, and no further war orders were forthcoming. Not so Standard Motors. Although the company's products had been used for war purposes and practically its entire capacity given over to war work, it nevertheless obtained through its activities in that line a tremendously valuable advertisement for its peace-time business.

Of the thousands of submarine chasers which scooted through the danger zones of the North Sea and guarded like so many sparrow-hawks the coasts of England and France, a large proportion were fitted with engines made by the Standard Motors Construction Company; and when it is considered that the government specifications which the company had to meet in making these patrol boat engines called for the last word in speed, efficiency and durability, the advertising value to Standard Motors of having its products accepted on so large a scale is plain. Millions of dollars spent in poster ads throughout the world would not have been so effective.

Results of Good Advertising

The war work was good advertising and the advertising, as usual, brought results. Today the Standard Motor Construction Company is making engines to supply boats all over the world to people who heard of it through its war work. Demand is said to be coming from China, India, New Zealand and Japan, where the small-boat owners have apparently learned the advisability of bringing their craft up-to-date. In addition to the requirements of these unaccustomed markets, the company is said to be enjoying an unusually good demand from its normal markets. As a final rounding off of its business activities, Standard Motors has a lucrative field in the repair and maintenance line which is naturally larger than ever before because of the great number of installations, or new sales, made by the company during the past four years. It is stated that the company's plants are working to capacity.

Standard Motors Construction management is particularly proud of its high-speed engines. A submarine chaser, equipped with a Standard engine, is said to have made a run from Bermuda to New York Harbor—a 680-mile course—in 58 hours and 32 minutes, or nearly 8 hours faster than that distance had ever been traveled, under the same conditions, before. However, engines that are built primarily to stand the wear are as much a feature of the company's activities as speed engines, and its equipment will be found in tugs, fishing boats and small passenger craft as well as in luxurious private yachts and launches.

Financial Record

The financial record of the Standard Motor Co. is an interesting one, full of sudden alterations. Profits, which amounted to $396,377 in 1916, jumped in the following year to $1,855,376, and in 1918 amounted to $1,662,125. Dividends paid in 1916 amounting to $108,000, or 60c. a share, were nearly trebled in 1917 to $288,000, or $1.60 a share, and increased in 1918 to a total of $1,440,000, equivalent to $8 a share on the 180,000 shares outstanding. For other similarly striking changes an examination of the table herewith, showing the condensed balance sheets of the company for three years, is of interest.

The close of the year 1918 found the Standard Motor Co. in a fairly strong financial position. Viewed from the stock market standpoint, however, the most recent figures available do not appear to warrant a very much higher price for the stock than the present quotations of 9-10. The company's dividend payments in 1919 amounted to one disbursement of 5%, or 50 cents a share on stock of par value $10, and it has been assumed that this is a semi-annual rate, that is, that the stock is on a 10% annual basis. At the same time, it should be remembered that in peace-times the company's products have a comparatively narrow-guage market and, although dividend disbursements may be generous, there is some doubt in the minds of prudent investors whether the somewhat uncertain future of the company warrants such large payments.

It is well to bear in mind that the future of the Standard Motor Construction Co. depends chiefly upon its ability to establish itself along strictly commercial lines, as opposed to its pre-war standing as a manufacturer of "expensive toys."

STANDARD MOTORS BALANCE SHEETS

	1916	1917	1918
Assets—			
Cash	$215,795	$426,782	$75,958
Investments	274,507	476,131	1,323,787
Notes and Accounts Receivable, Merchandise, Buildings, etc.	723,045	2,062,266	1,095,269
Patents	1,716,388	1,716,388	1,716,388
Liabilities—			
Accounts Payable	47,033	251,212	384,787
Deposits on Orders	6,444	2,531	6,915
Bonds Due 1927, less Sinking Fund and Cash	202,702	187,203	172,777
Interest Accrued	4,060	3,750	3,460
Capital Stock	1,800,000	1,800,000	1,800,000
Reserve for Taxes*	......	865,000	1,162,751
Profit and Loss Surplus	869,496	1,571,871	680,712

*Estimated for 1918.

A BANK IN HONG KONG

This view shows one of the many attractive banking homes to be found in the Orient. Western methods are not confined to the West

GERMANY'S FINANCIAL HEADQUARTERS

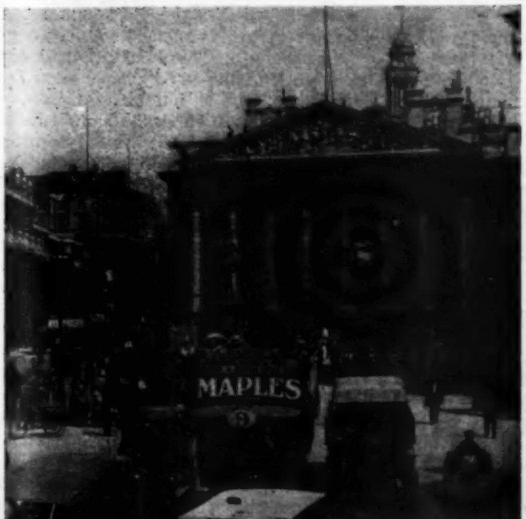
The Berlin Bourse, the leading stock market of the former empire, where Krupps Iron Works shares were dealt in at $1,350 not many years ago. Now they are worth about $30 apiece, or rather quoted at that figure

FINANCIAL INSTITUTIONS OVERSEAS

Every civilized nation has its own Wall Street and practically every one its Stock Exchange, where the financing of industrial development is handled much the same as it is in the United States

BUENOS AIRES STOCK EXCHANGE

The principal commodities of Argentina in past years have been wheat and cattleproducts. Today, in company with other Southern Republics, imports and exports have increased considerably and are much more diversified



THE ROYAL EXCHANGE, LONDON

Practically the oldest institution of its kind in the world, the Market has housed many a boom

COPENHAGEN STOCK EXCHANGE

Denmark, although the smallest, is probably the most prosperous of the Scandinavian countries.

Investment Stocks and the Price of Capital

A Method of Judging When a Stock Is High or Low

By G. C. SELDEN

WHY do sound investment stocks, on which dividends are paid regularly and are apparently secure, at times sell very much below their average or normal value over a period of years, and at other times very much above that value? And is there any way of deciding when they are below their normal value and when they are above it?

If so, the investor will be in a position to buy when prices of such securities are below normal and to dispose of his holdings when prices are above normal, thus adding something to the income which he would receive if he held his stocks steadily year after year.

Causes of Price Changes

There are two kinds of influences which affect the prices of investment stocks:

(1) The price of capital, which is pretty closely reflected in the yields obtainable on high grade bonds.

(2) The prospects of the company itself, as viewed by buyers and sellers of the stock.

Prices of the highest grade bonds depend almost entirely on the cost of capital. Payment of interest and principal on such a bond is assured, so there is no reason why fluctuations in the company's earnings should affect its price. It will rise and fall in harmony with the supply of capital available for investment.

The same thing would be true of a standard dividend paying stock, if the dividends were as firmly assured as the interest on a high grade bond. This can never be true, because the company has the privilege of suspending or reducing dividends at will.

The only strictly logical reason why the price of such a stock should fluctuate any differently from the price of a high grade bond is the prospect or possibility of a change in the dividend rate. But as a matter of fact we know from observation that stock prices do rise and fall for other reasons, or to a greater extent than would be warranted by the possibility of dividend changes. When all prices are falling and investors are in a discouraged state of mind, stocks on which there is every reason to expect a continuance of the current dividends will fall with the others; and when the market is booming and everybody is full of optimism, stocks on which the permanent maintenance of current dividends is by no means fully assured will rise with the rest.

Such price movements afford the discriminating investor valuable opportunities to buy or sell.

Comparing Yields

The income yield on a stock will nearly always be higher than the yield to maturity on a high grade bond. That is inherent in the nature of the security. But it is easily possible, by examining the yield on the stock during a period of years and comparing it with the yield on the bond, to note the average difference between the two yields, and thus to discover whether the price of the stock at any particular time is above or below its normal plane of income yield.

To show how this may be done in actual practice, we will compare the yields on Atchison common stock and the Atchison general 4's. This bond is one of the most stable on the list and changes in its price are almost entirely due to variations in the supply of investment capital. The 6 per cent. dividend on the stock was reduced to 5 per cent. in 1908 and the first half of 1909, but since the resumption of the 6 per cent. at that time there has never been any real reason to doubt the ability of the road to maintain that rate. Yet the stock sold above 123 in 1910 and at 75 in 1917. And curiously enough, less than 9 per cent. was being earned for the stock when it sold at 123 and 14 per cent. was earned in the calendar year 1917, when it sold at 75.

This article appears as Chapter VI. of Mr. Selden's book "Investing for Profit," but has never before been published in this magazine. At present, when many sound investment securities are selling at abnormally low prices, aids to the practical selection of good bargains are particularly timely.

The graph shows the income yield on the stock at the mean price for each month from 1907 to 1918. For additional clearness the principal fluctuations in the price of the stock are also shown at the bottom of the graph.

The line showing the yield on the general 4's is computed in the same way. It shows yields to maturity, not current income.

A comparison throughout the period shows that the income yield of the stock has averaged approximately 1.6 per cent. more than the yield on the bond. This has been assumed as a normal yield for the stock, and is shown in connection with the actual yield month by month.

It is interesting to notice that the reduction in the dividend to a 5 per cent. basis in 1908 was over-discounted in advance by the price of the stock, so that even after the cut the income yield at the new rate was farther above normal than any later yield. And in the same way the resumption of the 6 per cent. rate was over-discounted, so that the yield at the new rate was considerably lower than any later yield.

These extreme fluctuations gave the investor special opportunities. After the dividend was reduced to 5 per cent. in 1908 there was no probability of any further reduction; yet even then the investor had a chance to buy the stock around 70, giving him nearly 7 per cent. on his money. And when the 6 per cent. rate was restored in 1909 there was no early prospect of any higher rate, but the investor had plenty of opportunities to sell above 120, where the income yield was about ¾ of 1 per cent. below the indicated normal yield at that time, judging by the yield obtainable on the bond.

In the bear market of 1910 the income yield on the stock rose again to ¾ per cent. above normal. Earnings for the stock had been 12.1 per cent. in 1909 and were 8.9 per cent. in 1910. For the five years ended 1910 they averaged 11.1 per cent. annually. Any idea that the dividend would be reduced was fanciful. Yet the stock sold at 91, manifestly below its normal value.

In 1913 there was a close repetition of the conditions of 1910 as regards comparative yields. In the war panic of 1914 Atchison was one of the stocks that held its value best, yet its income yield was then half of 1 per cent. above normal and the stock sold at 89. In December, 1917, at 75 the stock was a clear bargain, with a yield almost 1 per cent. above normal, so it was not surprising that it sold at 99¾ in 1918, in spite of war conditions.

On the other hand, the investor who was studying the stock from this point of view would not have been inclined to buy in October, 1917, although the price fell to 90¼ in that month, for he would have seen that bonds were falling equally fast, so that even then the yield on the stock was not above normal.

In making the above comparison a bond and stock of the same company has been used but this is not necessary, as all bonds of this high grade show substantially similar price changes. A practical way of handling the matter would be to make up an average of the monthly yields of several high grade bonds and use this average for comparison with the yields shown by any stock in which the investor is interested. Suitable bonds for the purpose, which have available price records for a dozen years or more, would be the Atchison general 4s, Penna. Co. 1st 4½s, Louisville & Nashville unified 4s, and Northern Pacific prior lien 4s.

Our "Index of Corporation Credit," page 109, Dec. 13th issue, which will hereafter appear monthly, may be used for this purpose.

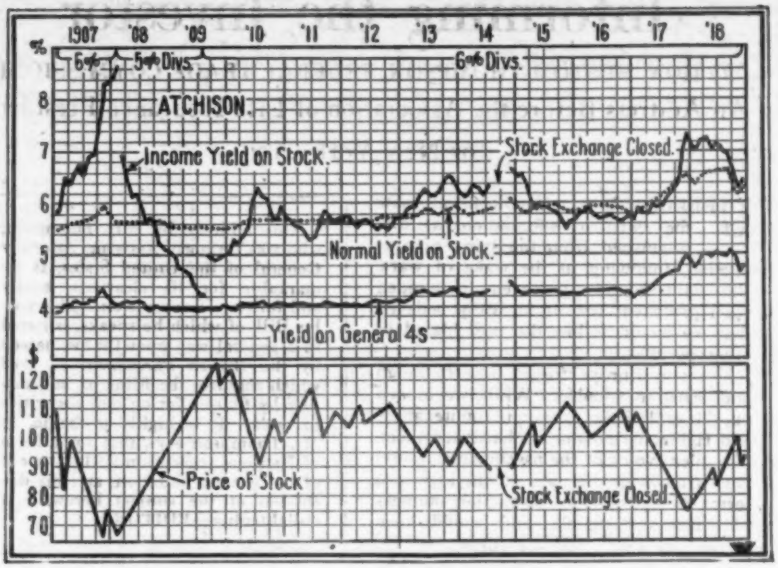
The above explanation is sufficient to bring out the principle, which is, in fact, clear at almost the first glance. It applies to a large number of stocks of the investment class which have paid their dividends regularly and look likely to do so. It has little bearing on the more speculative class of stocks, since these are usually not owned for income. If the dividends on a stock are precarious or

temporary, the method explained will be of little service.

Preferred stocks of the highest grade will naturally vary much less from the line of normal yield than common stocks or preferred stocks which are not so strongly protected. Take Atchison preferred, on which the 5 per cent. dividend is usually earned four or five times over. Its highest yields have been 6.4 per cent. in 1907 and 6.7 per cent. in 1917, at the lowest prices of those years, while at the high points of 1909 and 1911 its yield was 4.7 per cent. Roughly, its fluctuations have been about twice those of the general 4s, and investments in it should be looked upon as about the same as in a good second grade bond.

On the other hand, Virginia-Carolina Chemical, which has paid 8 per cent. dividends regularly for many years, sold to yield 10.7 per cent. in 1907, rose until it returned only 6.2 per cent., fell in 1916 to a 10 per cent. yield, and has again advanced to a 7 per cent. yield. There were wide price changes in it, which this plan would aid the investor in gauging.

If there is any permanent change in the investment standing of a stock, it is necessary to take that into consideration. For example, if average earnings for a stock 1906 to 1910 were 1¾ times its dividends, and from 1911 to 1915 three times the dividends, it would be entitled to a somewhat higher price even though the dividend rate was the same throughout.



The plan is not suggested for the speculator, but merely to aid the investor in buying to good advantage and in selling when his stocks are higher than their normal level.

Puts and Calls

A Brief Examination of How They Work

WE HAVE often been asked by our subscribers whether puts and calls are a good venture, a reasonable speculation, and sometimes in the cases of the more misinformed, whether they are a good "investment." We believe a simple explanation will prove timely.

The best view of the subject will be obtained from the angle of the precise meaning of the words put and call. This system of trading in securities is better known as "privileges" because on the face of it the dealer sells you nothing but a *right* or *privilege* to *call* upon him to deliver to you a certain stock at a certain price, or in the reverse operation to *put* (or deliver) the stock to him at a certain price.

If, for example, you have bought a call on U. S. Steel, now selling around 102, you will have the right to *call* upon the put-and-call broker to deliver it to you at the price named in your "paper" within the time also mentioned in the document. In taking on this contract, you have neither bought nor sold actual stock. It means that you expect it to go up to at least 105 or higher, within about thirty days. This is the favorite period of trading in these privileges. Sometimes they are called "options," since you have the *option* of taking or leaving the stock at the call price.

The advantages of this trade are manifold, but the most obvious one is that having paid for the call (usually about $125 per 100 shares) you cannot lose more, you carry no real stock, lose no interest, and the risk is entirely limited to the loss of the option money. Of course, U. S. Steel would have to rally quite a bit to show a profit for the contract, although operative from the time it is sold would not have the least value until the stock sold above the call figure—say 105. The trader in the call would also have to consider his outlay for the contract, $125 equivalent to another 1¼ points. Therefore, when Steel crosses 106¼ the contract commences to show a profit. The following tabulation makes the explanation simpler:

	Points
Paid for privilege to call Steel at 105—now selling at 102—$125..	1¼
Points away from market at which option sold...............	3
Steel now sells at...............	102
Call becomes profitable above....	106¼

There are very many other ways in which this privilege on the long side may be used, such as insurance against a short sale, trading with less capital than full purchases require, etc. But the average purchaser buys for the purpose of selling at a profit only. Brokers handling these contracts issue booklets explaining other uses in details.

Quite obviously these transactions are purely in the realm of speculation, exceptions being where privileges are used for the purpose of temporary insurance in the case of puts, explained below. Much money has been made and lost in these contracts, but in the capable hands of those who specialize in following the fluctuations closely, they deserve careful attention. The investor, of course, would prefer to dispense with the handicap of paying 1¼ points for a privilege that expires in 30 days, and the disadvantage of the stock having to travel from 3 to 5 points upward before he can commence to "see daylight."

A put is the reverse operation. In this case the privilege gives the holder the right to *put* the stock to the issuing broker —to give to it to him, to hand it to him— at the figure stated on the contract: usually 3 to 5 points below the market, depending upon the kind of stock, its activity, its market swings, etc. The price is a matter of contract or arrangement.

If your put on U. S. Steel, now at 102, is 3 points below the market, you can *put* the stock to the broker at 99 any time within 30 days. If it goes lower, say to 95 or less, the difference represents your profit, after allowing for 1¼ points paid for the contract. In this case every point lower than 97¾ represents the holder's profit if the option is exercised. You are not bound to exercise your right, but if you do not do so within 30 days, the option becomes cancelled automatically.

A combination put and call is called a spread and usually costs double. It is seldom that spreads make good excepting in very volatile issues, and the contract issued for these usually takes care of the irregularities in their fluctuations.

These options cannot be recommended to Income Builders. They will do better to *buy* permanently the securities they favor rather than take a thirty day option on them.

It is worth while mentioning that our advertisers who deal in puts and calls furnish the guarantee of a N. Y. Stock Exchange house in good standing, on their contracts. No other kind should be purchased.

Informing the Investor

***By* HON. HUSTOM THOMPSON, FEDERAL TRADE COMMISSIONER**

An Address Before the Association of Life Insurance Presidents of New York City

GREECE, Rome, Napoleon, all saw the spirit of speculation, as distinguished from the spirit of production, following in the wake of wars. Yet with historic precedent pyramided upon precedent few of us really believed that we would follow the trail blazed in other periods.

We saw Europe forget how to laugh and learn to tremble. While we looked on, the smile faded from our countenances and righteous indignation hardened them. The silent voice of the psychologist would have translated this loss of laughter into terms of inflexibility, contraction, tautness of mind and muscle, and would have warned us that when the curtain fell on war that there must come the reaction. We gazed on Europe gambling with life. Then we took a hand in the game and played with death either in reality or observed it in such a way that we lost the fear of its sting. Swiftly, but surely, we released the tether of conservatism. Not only the necessaries of life, but even life itself lost its value. As the former began to be destroyed, the purchasing power of our currency started down the chute.

Then the Hun quit, and we all broke training and relaxed. The reaction was so great that it not only upsprung our mental balance, but also our safety deposit boxes from which have escaped many of our Liberty Bonds.

This was the background and setting on the day when an emergency call came from the Secretary of the Treasury, the Capital Issues Committee and the Federal Reserve Board saying that there was such a speculative orgie in "wild cat" investments that the Victory Loan was in jeopardy. We were informed that in the neighborhood of five hundred million dollars a year were being absorbed in such investments, and that we were the only organization of the government that had jurisdiction to check this danger. We accorded these Departments a hearing at which their legal representatives argued that under the Federal Trade Commission Act we had jurisdiction to order a get-rich-quick "Wallingford" to stop.

There were two questions to be resolved before we determined to set in motion the machinery of our Department. First, whether a security carried from one state to the other for the purpose of sale comes within the definition of an interstate commodity; and, second, whether the Liberty Bond, or any other legitimate security, competes in the financial market with a misrepresented "wild cat" stock for the possession of the investor's money. The Commission resolved both questions in the affirmative after thorough and deliberate study. A searching questionnaire was swiftly prepared and in more than a thousand cases was sent to those against whom complaint had been made.

Our questionnaires revealed a situation that we had not fully anticipated—the diversity of interests of those promoting stock sales. Despite the seriousness of the situation, the mere recital of the scheme devised to separate the people from their money presents a ludicrous statement. In order to advise ourselves properly we had to investigate each one of the schemes separately and compare the advertisements or representations with the value of the article. Consider a limited governmental department investigating simultaneously many alleged inventions that are promised to produce a fortune; methods of catching fish; schemes for raising property lost at sea; hog raising; colonizing schemes for soldiers, and countless other devices. Remember that hundreds of companies are organized every year. Reflect on the rapidity with which the department must function in order to be effective, and judge whether it be possible for any governmental body to prevent misrepresentation in speculation.

This address by Mr. Thompson, who was formerly Assistant Attorney General of the United States, is remarkable for its clearness, sanity and felicity of expression. The Taylor Bill, of which he speaks, is based in a general way upon the law passed by the British Parliament in 1908 which requires the filing of information by those offering new securities for sale. It is highly probable, as Mr. Thompson says, that some form of National legislation will grow out of the present situation, and his discussion of the subject herewith is enlightening.—EDITOR.

You will note that I describe the evil by the word "misrepresentation." I do not believe in depriving an individual of his inalienable right to speculate. Speculative enterprises developed Cripple Creek, Goldfield, Leadville, and some of our greatest industrial successes. Limiting speculation would destroy individual initiative. Should the government do this?

Consider if it would have acted wisely had it done so in a recent notable instance of an oil company which was selling stock on a "shoe string." All that it owned was a prospect, a piece of land in unproven territory and machinery that was sinking a well. With undoubtedly much more surprise to the promoters than to the stockholders that well in one day produced a thousand barrels of oil.

It is not speculation, but misrepresentation and the lack of information on the part of the prospective investor that must be eradicated. Let him know the truth and make his own decisions.

As a government official I would not want to have the power and responsibility of passing upon the issuance of a security in advance. Suppose one withheld his approval because of the speculative value. This might prevent the development of mining territory and oil fields which otherwise would become valuable National assets. Should he approve of an issue of securities, the public would read his approval as an endorsement by the government. A subsequent failure of the security would bring condemnation and possibly retirement to private life. If the official were human, his future action on securities would incline toward the negative. Then the law would become inoperative. Moreover with such a discretion and such a vast infinitude of information necessary the careful official would want a department the cost of which would require a prohibitive appropriation.

In seeking a solution I have called upon my own experience. Some years ago I was adviser to the Insurance Commissioner of one of our states. That Commissioner had one remedy which he used effectively as a corrective—the specific which we in war times call propaganda, in peace, publicity. On an hour's notice he once called me into a case where certain agents were charged with misrepresenting to some farmers the terms of an insurance policy. The case was to be tried under a statute which had been recently passed and which forbade such misrepresentations by agents. Both of us had our doubts about the constitutionality of the act, but the arrests had been made, the prisoners were about to be tried and the district attorney had deserted us. When the jury retired and hours passed we began to doubt whether we wanted a conviction, fearing a reversal in the higher court on constitutional grounds and hence a destruction of a statute which because of its mere existence was a preventive to misrepresentation. The jury finally came in, after being out twenty-two hours, and freed the prisoner.

I was told by good authority this summer that the effect of the publicity of that trial was such as to eliminate the bogus insurance man to this day from that district. Conviction would not have materially helped in that case. Conviction rarely helps. *Publicity is the effective remedy.*

From six years' experience in the Department of Justice and less than a year in the Federal Trade Commission I do not hesitate to affirm that the statute which through publicity seeks to prevent is far more efficacious than the one which is parental and punitive. Prophylactic law will prevent the wrongdoer where the punitive law will fail. When the human mind has broken down to the point where it wills to commit a crime, law will not stop it, but light will stay it. A criminal who would misrepresent or conceal can no more stand the light than could the darkness that filled this universe when the Master Architect, brooding over it, said, "Let there be light."

It is because of the preventive remedy that I find comfort in the act which was drafted by Congressman Taylor in conjunction with the Capital Issues Committee, and known as H. R. 188. That bill makes the Secretary of the Treasury the repository of certain information which any person or corporation must file with him before it can put on an inter-

state sale of securities.

In so far as the bill gives him the power to make exceptions to this requirement I cannot agree with it, and doubt whether any public official would welcome such power. The effective part of the bill lies in its placing the burden upon those selling the securities of telling what the assets are behind them, what sums are to be derived from their sale, the rate of commissions to be paid, and the availability of this information to the public.

Mr. Taylor's bill as amended will, I believe, go as far as human ingenuity and a public body should go in protecting the investor by informing him. Some form of legislation is certain to follow the present situation. The question is, *Will it be in a preventive or paternalistic form?*

Preventive legislation to be effective must relieve the official in charge of the responsibility of making exceptions. To make exceptions means to determine in advance. Placing in the hands of a public official the power to determine in advance will underwrite its failure. To discriminate between securities by making exceptions of some would place pitfalls in the way of this legislation on its journey through the courts that would surely defeat it.

The evidence is against those who say that the protection of the investor can be handled solely by the states through their police powers. Where the sale of the security is interstate the states may function, but then only partially. In at least sixteen of the states a violation of the "blue sky" law is only a misdemeanor. It is a very rare thing for one state to grant a requisition for the return of a person having committed a misdemeanor in another state.

It is not to be understood that the work of the states along this line is in vain. Nor should Federal activity deprive or weaken the states in their efforts. A Department required by Congress to protect the investor should co-operate with the state officials in every way. Not only should there be co-operation with them, but the efforts of Federal and state officials should be supported by all citizens and organizations interested in seeing that that part of the unrest in this country due to doubt of and loss from investments be quieted by the restoration of confidence in them. This confidence can be brought about by a campaign protecting the citizen.

Were I starting a national publicity propaganda for informing the investor, I would disseminate a statement something like this:

To the Prospective Purchaser:

(1) Beware of the glib salesman!

(2) Beware of the prospectus that promises much!

(3) Remember, the investment will keep. Don't hurry. Stop and study.

When approached by salesmen, or through advertisement or prospectus, communicate at once with the "Blue Sky" commissioner at your state capital, if there is such an official, and ask him what information he can give you.

If you are an employee, consult your superintendent, or employer, or banker, or the nearest most reliable business man. If a farmer, go to town and consult, preferably, your lawyer. His decision at the cost of a small fee may protect your entire savings.

When approached by a stock salesman, compel him to put in writing for you the rate of commission he is receiving—how much of your money goes to the company's treasury—how much will be used in developing the property or business, and that he acknowledges that you in buying are relying on his statements. If purchasing direct from the company, make it sign a similar statement.

Finally, strike out all of the language of the prospectus except that which tells just what money the company has—what property it owns and where located—and what work it has done. Consider then your bank account and your debts. If you have a family, ponder over its needs; finally, make your decision upon the basis as to whether you can afford to lose the money, if the investment fails.

If you learn subsequently that misrepresentation has been made to you and that you have been deceived and injured thereby, consult your nearest state or Federal prosecuting attorney.

The success of a government is measured by the contentment of its people. In the human soul the master instinct is the perpetuation of its kind. Man in the aggregate has the same instinct for perpetuation as the individual. This mass instinct, when in the perfect flower, is evidenced by what we call patriotism or love of country. That love is measured by the contentment of its citizens.

Gentlemen, let us resolve that we shall protect the savings of the investor by informing him.

Wild Advance in Vienna Stocks

One of Our Vienna Correspondents Gives a Graphic Account of Financial Conditions There

VIENNA, NOVEMBER, 1919.—More and more hopeless becomes the economic and financial situation, lower and lower drops the Krone, wilder and wilder grows the rush to the Exchange, more and more nervous the upward movement of stocks.

The prospects of almost all corporations have grown very unfavorable, but traders have ceased paying any attention to that. If we compared the recently paid dividend, which took place only in a very few cases, with the present prices of stocks, the average amount of interest paid is less than 1½ per cent.

The paper currency of the Austro-Hungarian Bank has reached 50 million. The catastrophic decline of the Krone, and the fear of its legal depreciation have brought about an incessant desire to buy; one is anxious, by any means possible, to rid himself of the Krone by actually investing in any kind of business, or by acquiring a share in it through the purchase of stock.

The lower the Krone drops in foreign countries, the more easily are foreigners able to purchase merchandise and securities. Since domestic buyers figure their currency by the foreign rate of exchange, the high prices appear very low to them and they hasten to compete with the foreigner. All this creates new buyers every day.

However, the speculators it is who contribute mostly to the extraordinary advance in the price of stocks. The development of the market has thus far been in accord with their expectation, and the nervousness and uninterruptedness of the upward movement greatly increase their number. The larger the profits, the smaller the desire to sell; the shorts have so far suffered tremendous losses and their ranks have decreased considerably. Every day a different stock is favored, a result of partly true, partly only invented reports of new developments.

FOREIGN TRADE MISSIONS IN THE U. S.

Members of the French, Belgian, Italian and British trade missions, who came to America to tell of their countries' needs along business lines.

The Service of a Trust Company

By HENRY A. THEIS

Assistant Trust Officer, Guaranty Trust Company of New York

STRANGE as it may seem, many persons who labor energetically during their life time to acquire property often give little or no thought to what will become of it upon their death. If a person fails to make a valid disposition of his property by will, upon his death the law directs who shall receive it. Distributions made by statute are necessarily fixed and certain. The statute cannot take into consideration the particular exigencies and necessities which exist in the affairs of every family. For example, the title to real property passes to the persons who are his heirs, while personal property is distributed among those who are his next of kin. The persons who constitute the two classes known as the heirs-at-law and the next of kin and the amounts which they shall receive vary in accordance with the laws of the several States.

It seems strange that through carelessness and inattention, a person should not give forethought to the situation of his family and the particular needs and necessities of each member. The wise man considers not only the amount which each member of his family is to receive from his estate, but when and in what manner he shall receive it. This naturally requires careful consideration of each person's ability to handle the property which he is to receive.

Age, sex, ability and experience ought to be taken into consideration with a view of assuring a livelihood to wife and children, guarding them perhaps from losing their fortune through inexperience, want of judgment or unwise advice. A wife who has spent her days in bringing up her children may be utterly inexperienced in business affairs and it is sometimes advisable to provide that she shall receive income only during her life, the property itself to be divided among the children upon her death. It may be unwise to give a son his full property when he reaches the age of twenty-one. It may instead be desirable to have it paid to him as he attains maturity and acquires experience. These objects can be accomplished by the creating of a trust under which a competent trustee is to hold, manage and invest the property, paying over only the income to the beneficiary until such time as the trust may end.

The Executor

A person making a will may select the individual or corporation that is to carry it into effect as "executor." Generally speaking, it is the duty of the executor to collect the assets of an estate, wind up the deceased person's business affairs, pay his debts, funeral expenses and inheritance taxes. It is the executor's duty to distribute the balance to persons named in the will and to turn over to the trustees such property as may be directed to be held in trust.

A person actively engaged in business is certainly concerned over who shall dispose of that business. An executor should be chosen, not because of sentiment or affection, but because of his ability, integrity and financial responsibility.

If one does not appoint an executor by will, the court will appoint a person to perform the duties of an executor and he is known as "administrator." This administrator may be an absolute stranger to the family and possibly not one whom the deceased would have liked to consider in such a capacity.

There is another important consideration: a person making a will may relieve him from giving a bond for the faithful performance of his duties. An individual administrator must always give bond in an amount commensurate with the importance of the estate which he is to handle. If the estate is large the bond is large, and the premiums to the surety company may be a large expense to the estate.

No court will appoint an administrator unless evidence is presented showing that the deceased left no will. Therefore, an application cannot be made until a painstaking search has been made for a will. This frequently causes a vexatious delay and often necessitates the appointment of a temporary administrator to attend to pressing matters when delay would result in considerable loss.

Many persons neglect to approach the preparation of a will, feeling that it is a document which when executed exists for all time. They may not be prepared at the moment to make a final decision. A will is only operative and binding at the date of the maker's death. Before a person dies he may make any number of wills, each of which in succession should, by its terms, revoke and cancel all prior wills.

Serious Instrument

A person making a will should consider the seriousness of the instrument. Therefore, it should be drawn by a competent lawyer, who has had experience in such matters. Home-made wills are dangerous and too often worthless for many niceties of language and law must be considered, and the manner of execution and declaration must be given careful consideration.

Having secured a competent attorney to draw the will, the maker should carefully consider the fitness of the executor or trustee whom he is to select. The advantages of appointing a trust company or a bank entitled to exercise fiduciary functions are many. A few of them are:

(1) The financial responsibility of the trust company.

(2) Its continued existence. The individual named as executor may die—a corporation has unlimited existence, and the maker of the will, therefore, is assured that the executor of his choice will be living and competent to act.

(3) Accumulated experience. The individual may act as executor once in his lifetime—the corporate executor or trustee, whose business it is to act in such matters, is constantly accumulating experience which no individual can hope to possess.

(4) Financial judgment. The directors and officers of a well organized corporation, through the general transaction of their business, are usually far better able to invest funds and handle business matters than an individual.

(5) An impartial viewpoint. A corporate executor is not concerned in family disputes, has no interests to serve except the execution of the plain direction in the will and the protection of the interests of the beneficiary. It cannot profit through its acts other than by the commissions which it receives by law.

A trust company makes the managing of estates a part of its business, and men in its employ are trained particularly in this work. An individual necessarily must make an executorship incident to his own business and, therefore, can usually give it only secondary consideration. The individual chosen is subject to the uncertainties of life. He may die shortly after the maker of the will dies.

When a will is made, in order to avoid a long and trying search for it, it is advisable to file it in a sealed envelope with a bank or trust company, or it may be deposited for safekeeping with a county clerk or Surrogate or with the Registrar of Deeds. It is generally a great inconvenience to have a will filed in the maker's safe deposit box, for when a person dies, no one is entitled to have access to his safe deposit box except his legal representative duly appointed by the court. Who these legal representatives are cannot be determined until the will is found. In order to obtain the will out of a safe deposit box, it is necessary to get an order from the court, permitting the opening of the box for the purpose of discovering the will. Even then the box cannot be opened except in the presence of a representative of the State in order that he may see that nothing other than the will is removed

Readers' Round Table

EFFECT OF GLASS' PROPOSAL ON TAX-EXEMPT SECURITIES

AT present the income from tax-exempt securities is not used in any manner in computing the income tax payable by the individual. In other words, if a professional man has invested capital in tax-exempt securities yielding him $20,000, and if in addition thereto his professional earnings amount to $20,000, his income is the amount of his professional earnings, and the income which he derives from tax-exempt securities is not figured at all.

Secretary Glass now proposes in Congress to add the tax-exempt income to the income from professional earnings, in order to compute the tax at the rates in the higher brackets, with this result:

Take two professional men (we will call them A and B). A has capital invested in tax-exempt securities yielding $20,000 per annum. B has no accumulated capital. A and B earn $20,000 each in their professional work.

Secretary Glass would say that A has an income of $20,000 plus $20,000, or $40,000 in all, and therefore that his gross tax is $6,290. (See WALL STREET JOURNAL, Thursday morning, December 4, 1919, page 11, column 3.) But he would allocate to that part of the $40,000 which arose from tax-exempt stuff (namely, $20,000), a tax attributable to an income of $20,000, namely, $1,990, and would attribute to the professional earnings of A the difference between a tax on an income of $40,000 and the tax on an income of $20,000, which tax would be $4,300.

Take the case of B. As already stated, he has no accumulated capital, and therefore his tax is computed upon his professional earnings alone, amounting (as already stated) to $20,000. The tax on $20,000 is $1,990. Therefore, on professional earnings of $20,000, A pays a tax of $4,300; and on professional earnings of $20,000, B pays a tax of $1,990. In other words, A pays on the same amount of professional earnings $2,310 more than is paid by B. How is this brought about? Either through a tax upon tax-exempt stuff, or through a discrimination against an individual who possesses tax-exempt stuff.

Effect on Bonds

State and municipal bonds have been bought on the theory that the income derived therefrom is not calculated in any way whatsoever in figuring a man's income. Secretary Glass wishes to reverse this practice, and wants Congress to amend it. If Secretary Glass' recommendation is accepted, there will be very little sale in the present condition of the money market, as may be illustrated below.

John Smith has $900,000 to invest. The question is, shall he buy the finest taxable securities, to yield 6%; or shall he buy state bonds and municipal bonds, to yield 4.80%. It will be seen by the calculation below that he is better off buying taxable bonds, unless he has more than $900,000 to invest. The table below proves this:

$900,000 at 6%	$54,000
Income tax, 1919, on $54,000	10,490
Net after income tax paid	$43,510
$900,000 invested in tax-exempt state bonds or municipal bonds at 4.80% yields	43,200
The bond buyer is better off purchasing $900,000 of 6% taxable securities than by buying the same amount of 4.80% non-taxable securities by	$310.00

The advantage is, with the 6% taxable securities the less he is able to buy, so that if he is only able to buy $500,000, it would be much more advantageous for him to buy taxable securities, rather than non-taxable securities.

Taxable Securities Versus 3½ Per Cent Bonds

The natural inquiry will be, How does this work out as against 3½%'s?

If a purchaser has $2,500,000 or less to invest, he is better off investing it in 6% taxable securities than in 3½% bonds, provided the recommendations of Secretary Glass are accepted by Congress.

$2,500,000 at 6% would yield	$150,000
Income tax, 1919, on $150,000	61,190
Net after deducting income tax	$88,810
If the purchaser were to invest $2,500,000 at par in 3½% bonds, his income would be	$87,500
The difference in favor of the 6% taxable securities would be	$1,310

The difference in favor of the taxable securities would be greater as you go down from $2,500,000.

If Secretary Glass' proposal is adopted, it will be better for an individual investing for an income of $75,000 to buy 4¼%'s, rather than 3½%'s; for the 4¼%'s are free of normal, and if they be discounted 17%, they will still yield over 3½%. The average of the surtaxes on an income of $75,000 is 17%.—*G. W. M. (a leading attorney).*

HOW HE HANDLES INVESTMENTS

I HAVE been in the market off and on for twenty years and I have still my first time to get in right to start with. When Mr. Morgan said that any man who was not a bull on America would go broke, I was convinced he was using my sentiments. When things look the blackest is the time to get in the market. This is the time when we "pikers" are mentally deranged. It is a physical impossibility to change this mental derangement.

I have adopted the plan described below, and so far it has worked me out every time except this one. I firmly believe it will work me out this time unless United States goes Bolsheviki. In that event I would be gone anyway.

As stated above I invariably get in the market at the wrong time. After studying various stocks I pick out those that have real value behind them. I buy 100 shares of Anaconda, for example. If Anaconda goes down about four points I buy 100 shares of American Locomotive. If Locomotive goes up two or three points I take profits on it. If Locomotive does not go up but goes down three or four points I then buy 100 Republic Iron & Steel. If Republic goes up about three points I take profits on it. If Locomotive or Anaconda goes up to where I can get two or three points I take it. If this happens I stay out of the market until I get my equilibrium and then use the same tactics again.

In the event the market does not go up after I have accumulated 300 shares (I have had this to happen several times) I keep on with the same system until I have accumulated 500 shares. That is my limit, as I am afraid to lose my capital.

If the above plan fails to work, and I have seen it fail, I put up margins and wait until I am fairly well convinced the bear market has run its course. On the first rebound of four or five points I sell 100 shares of the above stocks. If the market keeps on up I sell another. I invariably reinstate with a two or three point reaction. This system has always brought the bacon home for me in a small way. Courage, patience and intelligence are the requirements.—G. M. C.

EDITOR'S NOTE—There are several interesting points about the above letter. As we understand our correspondent's plan, it is substantially as follows:

(1) He waits until he believes the market is low. Naturally enough this does not, as a rule, prove to be the bottom.

(2) He distributes his purchases around among several issues. His first purchase is of the stock which looks the cheapest to him. If this goes down, he buys more of another stock which then looks cheap to him. And so on.

(3) On any of these investments he takes a profit of a few points when it appears, and reinstates his purchase after a few points reaction, again taking his profit on the next rally.

(4) If the market continues to go down for all his stocks, he keeps buying at intervals until he has all he feels like carrying. Then he holds on until prices come back and give him a profit.

Evidently his success will depend on the correctness of his judgment, as success in investments always must, no matter what method is followed. But it is clear that he generally buys most of his stocks cheaper than he would if he bought them all when he first thought they were a good purchase.

An objection to his method is that he always takes a small profit. He would therefore get but little advantage out of a real bull market. We should say that he would do better, when he believes a real bull market is in prospect, to hold all his stocks for a larger profit.

Customer's Liability When Deposit Is Exhausted

ON Nov. 20th, I sold Pierce Arrow short at 65⅜.

On Saturday, the 22d, Pierce Arrow reached 75¼, and as my account would be completely wiped out at 75⅛ I waited for advice by mail to the effect that I had been closed out. As no advice had been received I wrote my brokers on the 26th. In the meantime Pierce Arrow reached 88, and on the 29th fell back to about 70.

I then received a wire calling for additional margin. I did not wire additional margin, but placed a stop at 74. This stop was not placed with the idea of saving any of my funds, but to protect both broker and myself against further loss. I thought if he could carry me to 88 he could carry me another day with a stop at 74. My stop order was caught at 74⅜ on Dec. 1st or 2d.

I have not received any explanation from my brokers regarding the matter, but have closed my account with them. I have been trading about three years and this is the first time I have been caught in this manner, and not knowing whether my broker could close my account at any time he saw fit caused me to write to you for this information. Had he closed me out at 88 I would have owed him considerable money.—H. Y.

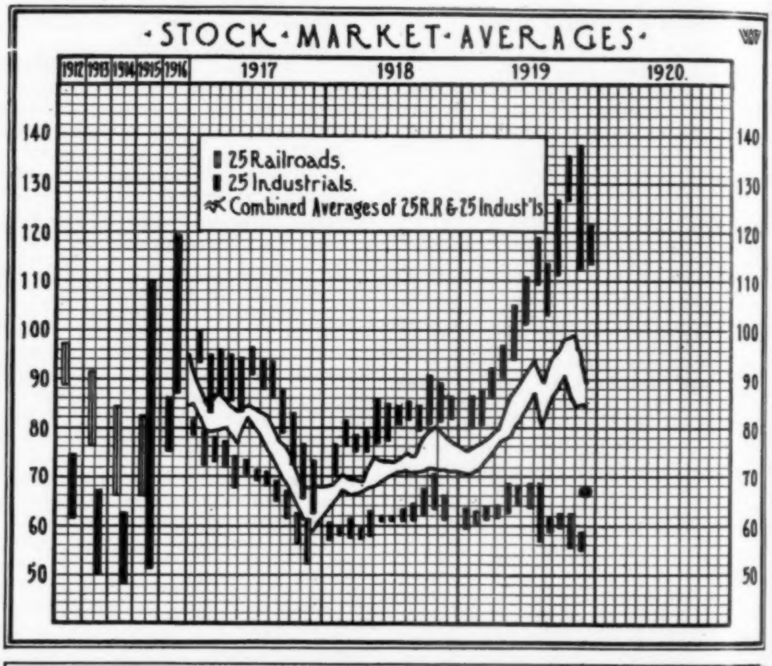
Your broker is not under legal obligation to close your trade simply because your margin with him is exhausted. In most cases he will do so for his own protection, but if he is willing to give you additional credit beyond the amount you have on deposit with him, there is no legal requirement against his doing so, and you would be under obligation to supply him with additional funds at a later date if he called for them.

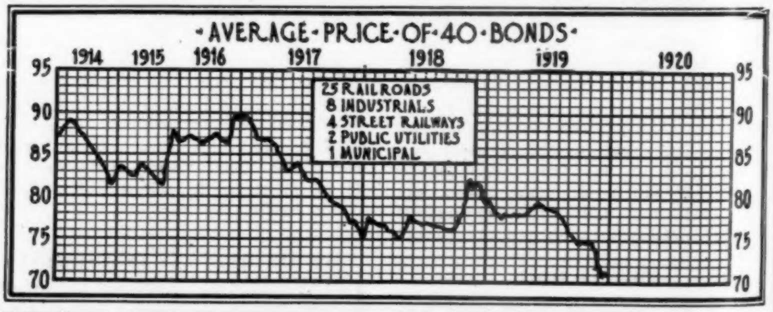
In practice, however, brokers have found it exceedingly difficult, if not almost impossible, to collect from their customers losses which occurred through the exercise of the broker's discretion in failing to close the trade when margin was exhausted. The result is that in such cases if the customer refuses to make up the loss of the broker, it is not at all probable that the broker would take the matter into court, unless the circumstances were in some way exceptional.

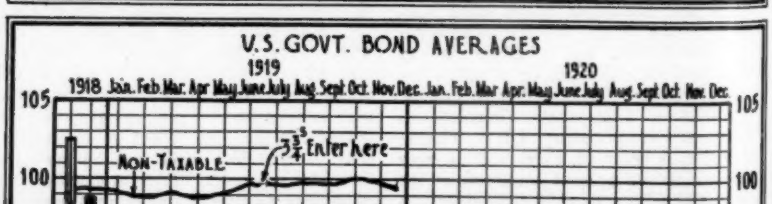
From the legal point of view, your broker is your agent and his business is to carry out your instructions. If you do not instruct him to close your trade when your margin is exhausted, then he is not obliged to do so except for his own protection. The safest and best method is to place stop orders on your trades yourself, and to keep track of them so that you can cancel them if you later decide to close your trade at some other price. It is important to remember that such a stop order is necessarily good till cancelled regardless of what may have happened to that particular trade in the meantime.

Market Statistics

	N. Y. Times, 40 Bonds.	Dow, Jones, 20 Inds.	Avgs. 20 Rails.	N. Y. Times, 50 Stocks. High.	N. Y. Times, 50 Stocks. Low.	Sales.
Monday, Dec. 8	71.71	107.88	76.85	89.79	88.35	995,448
Tuesday, Dec. 9	71.98	106.85	76.44	89.94	87.47	965,526
Wednesday, Dec. 10	71.77	107.01	76.02	88.19	87.11	664,661
Thursday, Dec. 11	71.60	105.01	74.29	88.22	86.19	928,223
Friday, Dec. 12	71.25	103.73	73.63	86.11	84.74	1,428,300
Saturday, Dec. 13	71.13	105.61	74.21	86.57	84.74	555,525
Monday, Dec. 15	71.13	105.06	73.96	86.15	84.27	872,750
Tuesday, Dec. 16	71.18	106.61	74.75	86.74	84.79	1,043,400
Wednesday, Dec. 17	71.16	107.26	74.88	87.91	86.51	1,033,109
Thursday, Dec. 18	71.05	103.78	74.53	87.39	86.26	669,924
Friday, Dec. 19	71.11	104.63	75.56	88.80	86.61	1,132,395
Saturday, Dec. 20	71.29	104.55	75.86	89.17	88.21	451,650







Odd Lots

THE EVOLUTION OF A PUP

A Parable of Wall Street

REPUBLIC Iron & Steel selling recently above $140 a share has not always been a boarhound among the steels. Selling at 16½ in 1899 it looked like a yelping cur, and really degenerated into the "pup" class at 5⅝ a few years later. Its growth and emancipation was a slow process. It mostly

slept or shook itself occasionally between 1907 and 1914. It became a fine young dog at the end of 1915 at 57¼—war profit is fattening food for bright young puppies.

1917-1918-1919 marked the years of evolution from the cub to the dignified full-grown hound stage. Prices climbed from 60 to the 100 mark. Those who studied the dog were not deceived—its blue ribbon and diamond-studded collar were not undeserved.

And then, in 1919, this full-blooded, war-bred boarhound went to sleep. And some bears stalked into its lair, and twisted doggie's tail, gently at first and more confidently as the big dog labelled "RBC" showed signs of wincing. And they pulled harder until doggie growled. And his warning growl went unheeded although his friends in the steel pack bayed deep and loud at his distress.

RBC wagged his tail at 90, and those who were "wise" also noted that he was baring his teeth, which did not agree with conditions at the rudder end of doggie. The wise ones ran, but the stupid bears kept on pulling.

And then RBC stood on his hind legs, stiffened his tail and bared his teeth. He faced his tormentors and flew at them. And they were bitten sorely. They are still nursing their wounds.

Moral: "Once a pup always a pup" is not applicable to Wall Street. The meanest cur can develop into the noblest hound. When the hound wags his tail also examine his jaws. They must agree in disposition before you sell short.

* * *

The new industrial commission, we see, is holding its sessions in secret, so it does not seem likely to add as much to the general confusion as had been feared. —*Grand Rapids Press.*

* * *

Germany has bad marks in finance as well as history.—*Greenville (S. C.) Piedmont.*

* * *

REVISED MAXIMS

Too many syndicate managers spoil the promotion.

Half a loaf is better than no Christmas bonus.

A burnt child keeps away from penny stocks.

Don't look a gift tip in the mouth—it may have a kick to it.

A point profit in hand is worth two on paper.

No taxation without misrepresentation.

Insurance is the best policy.

All is not gold that glitters—so do gold bricks.

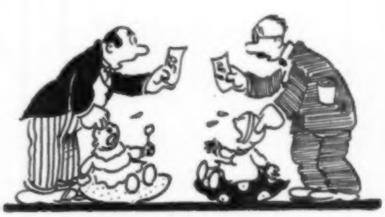
Prohibition is vexation.

THE RULING PASSION

TWO men, whose habit it was to gamble all day in stocks and play poker most of the night, recently went for an automobile ride in the early evening, each taking with them one of their own children. They were out-and-out-gamblers—they would gamble or bet on anything; in fact, they had to nourish this tendency even while out on a pleasure ride.

They had not proceeded very far on their evening's jaunt before one of them proposed that they play poker by taking turns on the poker hands expressed by the numbers on the license tags of the automobiles which passed them in either direction.

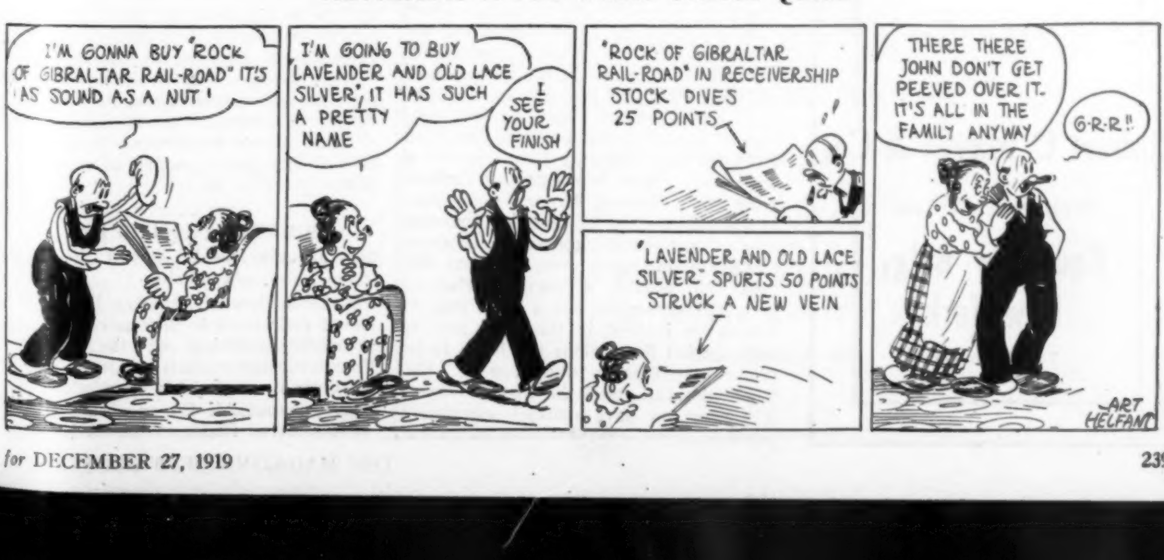
The night began to grow dark and they could not see the license tags. Finally they had a breakdown which landed them miles from a garage or a telephone. They hadn't even a pack of cards or a set of dice and were unable to carry out their natural propensities.



After going all over the various possibilities in the way of bet making, they finally became discouraged. At last, in desperation, one of them hit on a happy idea.

"I'll tell you what we'll do," said he. "I'll cry my kid against yours for fifty dollars a side."

Adventures of Mr. Wanta Getrich Quick



Investment Inquiries

'FRISCO INCOME 6s
Junior to Heavy Bonded Debt

St. Louis & San Francisco income 6s we consider rather speculative at current levels. The Frisco road has done very well since coming out of the reorganization, but it is quite heavily bonded and the income 6s are piled on top of a number of prior issues. The interest on these 6s is not cumulative, and we think the road would be justified in holding up interest on them for a few years, using the money to build up the property. Interest on these bonds is being covered at the current rate of earnings and has been covered ever since the reorganization, with the exception of the year 1918, although not by any very wide margin. Holders might do well to switch into the road's adjustment 6s, which precede the income 6s in lien on earnings and assets and whose interest is cumulative. They are selling now around 57 to yield close to 11% and appear well secured. In any improvement in railroad bond prices as a whole we believe these adjustment 6s should give a good account of themselves.

GENERAL MOTORS CORP.
Financing and Expansion Should Aid Stock

General Motors Corporation now has an authorized $500,000,000 of stock, of which about $148,000,000 is outstanding. The company has twice split up its capital stock (five shares for one) so that its price has been reduced to about one-tenth the original price. The company also intends to decrease the authorized issue of $500,000,000 debenture stock to $90,000,000, and will issue a new $500,000,000 7% debenture stock, rights to which will be issued to present preferred and debenture stockholders. Financing is expected to net the company close to $85,000,000.

In view of this new financing, now under way, and the large expansion of the company, the stock seems attractive to us at current levels. Earnings of $60 a share are expected for 1919, justifying the present price of the stock without taking into account the company's enormous possibilities. It is understood the company intends to compete aggressively with the Ford people in the manufacture of low-priced cars; if that is so, the company will represent about the first substantial manufacturer to invade the Ford territory—an admittedly large one—in a good many years. It is reported, furthermore, that General Motors some time ago went into the business of financing smaller automobile companies, without actually taking them over, and that this field has proven a very satisfactory one. Of course, there is a great deal of speculative interest in the stock and its wide market fluctuations are liable to be rather harrowing to small buyers. For those who can stand the pace, however, it appears to have unusual speculative possibilities.

CANADIAN PACIFIC
Present Price Seems Too Low

Recent weakness in Canadian Pacific has been due, to some extent, to foreign selling to take advantage of exchange rates. Another reason for the decline is the general rail situation in Canada. The Canadian government intends to eventually operate all the roads in Canada, excepting the Canadian Pacific, and rate-cutting, for the sake of political capital, is looked for. Of course, Canadian Pacific will have to meet any rate reductions on the part of its competitors, and will have the disadvantage of not being able to meet the resultant losses by taxation. It is further understood that the company is not disposing of its large land holdings to soldiers and sailors as rapidly as had been expected, although this is a matter of only minor significance.

Disregarding these uncertainties, the prospects of the road seem good. Present earnings are sufficiently large to assure the 10% dividend and are on the upward trend. If the road only receives fair treatment at the hands of the Dominion government it should have little difficulty in maintaining its prestige in the railroad world. It is our opinion that the current price of the stock reflects too pessmistic a viewpoint with respect to the company's future.

TENNESSEE COPPER
Possesses Speculative Merits

Tennessee Copper & Chemical has a very small funded debt (about $1,500,000) and 800,000 shares of no par value (increased from 400,000 shares in June). Earnings have shown a declining tendency in the past seven years and the company has not been very prosperous. The dividend record is irregular, but though dividends were paid by the old company in every year but 1910 and 1917, back to 1903, nothing has been paid by the present company since May 15, 1918. The company has recently entered the fertilizer business, this being the reason for the new stock issue, and it is believed that it will become one of the leaders in this field. It has a large acid production formerly delivered to the International Agricultural Company. The outlook for the stock is dependent upon the company's prosperity in its new field. Shares this year advanced from a low of 12 to 21, but are now at 10½ and we believe they are attractive as a speculation.

SOUTHERN PACIFIC R. R.
San Joaquin Lands Should Be Very Profitable

Many holders of Southern Pacific sacrificed their stock in November owing to a misinterpretation of the Supreme Court's adverse decision in the Elk Hills land case. This liquidation was largely responsible for an abrupt decline in Southern Pacific to around $92 a

share, about its lowest price for the year. At the time, all readers of the MAGAZINE OF WALL STREET who made inquiries regarding the stock were urged not only to hold, but, if possible, to buy more so as to average the cost. They were advised that the Elk Hills case was a purely unimportant one, and that the decision rendered was of practically no significance, at least as concerned the suit pending on the San Joaquin Valley lands which involved a far greater and quite as rich a territory.

On December 5, only a few weeks later, it was announced that the Government had decided to drop the San Joaquin case, believing that it would be futile to appeal it to the Supreme Court. This decision automatically gave Southern Pacific clear title to 162,000 acres of California oil lands, together with the right to exploit those rich lands as the road saw fit. As a result, the stock price advanced from 95 to 109, or the highest price for the year, and persons who had held on to the issue were in a position to take a nice profit if they chose to do so.

Getting title to the San Joaquin lands adds tangible assets to the Southern Pacific of more than $70 a share. Net income is expected to increase at least $2 a share. These figures, moreover, reflect only conservatively the possibilities of the company as an oil producer. When it is considered that the company earned 9.5% in 1918 and 17% in 1917, the standard return from the Government approximating 9% on the stock, it is clear that as a railroad proposition alone the stock deserves to sell above par, and this without discounting its oil holdings. There seems little reason to doubt, under the circumstances, that the stock should eventually sell much higher.

Persons who wish to study the details of the Southern Pacific cases are referred to back numbers of the MAGAZINE OF WALL STREET. The most recent article appeared in the December 13 issue, and a series of important articles appeared a year ago.

MISSOURI PACIFIC

Company's Future Seems Hopeful

On the basis of actual income Missouri Pacific earned 12½% on the preferred and 6½% on the common in 1917, comparing with earnings of 2.7% on the preferred in 1918. This year, the company is earning less than half its 1918 results, net operating income for the first nine months of 1919 amounting to $4,275,000 against $9,481,000 in the same period of last year. On the basis of the government guarantee Missouri Pacific earns about 5% on the preferred and a little less than 1% on the common. Although the company's operations during the last few years have been disappointing, we are inclined to regard its future as hopeful.

HARRISBURG LT. & POWER PFD.

Has Too Inactive Market

Harrisburg Light & Power has paid dividends regularly for many years. Its surplus was built up substantially up to the year 1918, when net income dropped from the 1917 return of $200,000 to as low as $21,000. The preferred stock is selling now around 40-45, par value $50, and there seems no doubt in the minds

of investors that the 6% dividend rate can be maintained. However, the company is not very well known, and prospective stockholders might do well to consider other companies having a steadier proven earning power and a somewhat securer position in the utility field. Inactive securities are not so marketable nor as good collateral in bad times as better known issues.

NEW YORK TRANSIT CO.
An Attractive S. O. Subsidiary

New York Transit Co. stock at present levels appears to us to be a promising issue. The company is one of the former Standard Oil subsidiaries, at present prices yields around 9%, and appears to have very good prospects for a substantial advance in price. The Standard Oil stocks, as a group, have not yet shared in the recent bulge in oil securities, notwithstanding their unquestioned strength and comparative merits. This stock sells around 185, paying $4 quarterly in dividends, with extras. There was an extra of $4 or a total disbursement of $8 to stockholders of record December 20. Average dividends are at least $20 a year. The stock is evidently attractive.

NATIONAL LEAD
Price Does Not Discount Strength

National Lead appears to be an attractive purchase and can be classed as a specvestment of considerable promise. The company is among the leaders in the manufacture of white and red lead for paints, and also does a very large business in the manufacture of building materials, such as plumbing, for which lead is necessary. Earnings have been consistently good over a period of years and are said to be running at record high levels at the present time. National Lead directors have always been conservative in the matter of dividends, and the large sums which they have plowed back into the property from time to time have placed it in a very strong financial position. We do not think the present price of the stock fairly reflects these factors.

CONS. GAS OF NEW YORK
Stock Appears to Be Underpriced

At prevailing levels it is our opinion that Consolidated Gas of New York stock is a purchase. There is still some doubt regarding the company's prospects of obtaining an increase in rates; at the same time, Consolidated Gas receives a large income from outside sources, and it is stated that this income is reasonably certain. The dividend on the common stocks seems secure, and will, of course, be further strengthened should the progressive developments which are looked for materialize. This is a company dominated by "Standard Oil" interests, that is said to possess substantial "hidden assets."

UNITED RETAIL STORES
Has Good Possibilities

United Retail Stores has possibilities at present prices. The company recently purchased a controlling interest in Montgomery Ward & Co. and is going ex-

tensively into the chain store business in Europe as well as in this country. It is a comparatively new incorporation, organized this summer by the Whelan-Duke interests and is connected with such companies as American Tobacco, Tobacco Products, Retail Candy Stores, American Tobacco Securities Co., United Cigar Stores and others.

The stock after a considerable decline now gives indications of accumulation, and this would seem an opportune time for purchases.

AMER. ROLLING MILLS

A High Grade Investment Well Secured

American Rolling Mills Co. 7% Debenture Cumulative Preferred Stock is a high grade investment. The company during the past two years earned the preferred dividend nearly seven times and during the previous five years more than five times. It also has net quick assets equal to 129% of the stock, and net tangible assets of about $450 per share. The stock can be obtained to net about 7%.

B'KLYN RAPID TRANSIT

Has Probably Seen the Worst

The protective committee of the B. R. T. Notes headed by Kuhn, Loeb & Co. and Kidder, Peabody Co., has issued a report describing the results of the investigation made by Stone & Webster and Price, Waterhouse & Co. This investigation revealed that the company's earnings after payment of interest on receiver's certificates and about $23,000,000 of underlying elevated bonds will fall short of interest upon the $60,000,000 of B. R. T. notes and Subway bonds. In other words, there will be a deficit of about $8,000,000.

We presume this, of course, takes into account the separation of the trolley lines. It was formerly thought that this would help considerably in reducing the company's deficit, as it is understood that they were the least profitable of its three sources of income. However, this does not seem to help the situation much.

The company reported last year in its balance sheet construction and equipment values of $11,570,000, as against $7,000,000 of the bonds of 1945 outstanding.

We believe that the company has probably seen the worst of conditions and that there may be a turn for the better. At any rate it would not seem worth while to sacrifice the bonds at present levels. The recent news in regard to possible purchase of the B. R. T. properties by the city, should have a favorable effect.

OKLA. TEX. P. & R.

Not Very Attractive Speculation

Oklahoma-Texas Producing & Refining Co. was incorporated in 1917. The company's property amounts to 11,518 acres in Oklahoma, Kansas, and Texas with 34 producing wells. The production as of May, 1919, was estimated at about 6,000 bbls. per month in addition to a substantial output of gas. There is a ready market for all production which is taken by the Prairie Oil & Gas Co. at the quoted price for mixed common and crude.

The capitalization consists of $5,000,000 stock authorized, of which $300,137 is outstanding, of par $1.00. The company has no funded debt. The stock is listed in the New York Curb and is reported to be paying at the rate of 3% per month, the initial payment at that rate having been made on January 2, 1919. There is no financial statement available at this time.

We do not specially favor this stock.

GASTON, WILLIAMS & WIGMORE

Should Respond to Improved Export Trade

Recent weakness in stock of Gaston, Williams and Wigmore has been due chiefly to the failure of the foreign trade situation to clear up as rapidly as most people had expected it would do when the armistice was signed. The company has been very adversely affected by the uncertainties and perplexities involved in reaching foreign markets, has passed the dividend on the common stock, and recently filed a financial statement which was far from encouraging. These factors have resulted in a decline in the shares to around 19.

Every effort on the part of the world's greatest financial geniuses is being made at the present time to establish some means which will enable foreign countries, poverty-stricken as many of them are, to get credit in American markets for the goods they need. The projected Edge bill is one of these protective measures. It is not written that these efforts will be fruitless. Although some time may elapse before the problem of international financing is solved, we believe there is not the slightest doubt that it will be solved; then exporting of American goods to foreign markets can be resumed, and the shipping companies, such as Gaston, Williams & Wigmore, will be able to get back their sea-legs. Prospects of the stock seem good.

SUGGESTIONS ON INQUIRIES

The heavy volume of inquiries which this publication is receiving makes it necessary to ask our subscribers to cooperate with us in order that we may maintain and improve the high quality of service which the Investors' Fersonal Service Department renders to our readers. We therefore suggest that:

1. Not more than three inquiries be submitted at one time. Occasionally a subscriber sends in a long list of securities, asking for an opinion on each. The careful manner in which the Department handles its inquiries makes it impossible to give same the immediate attention necessary, without slighting other inquiries.

2. Trial subscribers are entitled to an opinon on ONE security, in terms of our "trial offer."

3. In case an immediate answer is desired on more than three securities, we make a charge of $1 each for the additional number (but not to Investment Letter subscribers).

4. Enclose stamp or stamped self-addressed envelope.

The above suggestions are drawn up for the benefit and protection of our subscribers and those inquiries which conform with them will receive first attention.

Current Stock Offerings

The salient facts concerning current stock offerings. No opinion or rating of any kind is attempted, and the object is purely to keep readers informed on the more important issues.

Amalgamated Leather Cos., Inc., 7 Per Cent. Cum. Pref. Successor to F. Blumenthal & Co., established about 47 years ago to take over original American branch of Parisian house founded in 1715. Company now a worldwide organization, and its close connections in every part of globe give it advantages in buying of raw materials enjoyed by few concerns in leather line in U. S. Complete cycle in leather business. Number of individual brands and trademarks very valuable. Well organized for export trade. Management stays same as has been responsible for upbuilding of business. Well protected by large earnings and assets, and careful charter provisions for protection of preferred stock. Capacity of plants is to be enlarged. Preferred offered at 98 to net 7.15 per cent., and privilege is also given to subscribe to common at 60 to extent of 50 per cent. of number of shares of preferred subscribed to. Allotment of common has already been made.

Commercial Credit Co. Business of company consists of commercial banking: buying open accounts, acceptances, etc., from responsible business men, who guarantee their payment. Also deals in foreign exchange, and finances the purchasing of motor vehicles. Company is well protected in all of these transactions. Company has shown good earning capacity, and has a good dividend record. Has large interest in Acceptance Trust Company of Chicago, which is a good earner. Stocks well protected with asset values. Now offered for public subscription, $250,000 each of 7 per cent. cum. pref., 7 per cent. cum. pref. B, and common, par value of all shares, $25. Authorized capitalization, four times amount of stock offered. Pref. offered at 25; pref. B at 24, and privilege to purchase common at 45 is given to extent of 50 per cent. of subscription to preferred issues. Preferred yields 7 per cent.; pref. B, 7.30 per cent., and common, about 6.74 per cent. Preferred stocks have a number of protective features.

Continental Guaranty Cor. A banking institution organized under banking law of State of N. Y. Corporation's business consists of the purchase and discount of notes and acceptances receivable. It finances the distribution of automobiles and motor trucks for 22 well-known manufacturers, including some of the leaders in the industry. Stated that corporation never renews an acceptance or note, and that its paper is unusually well secured. Its assets are reported to be entirely liquid, consisting of cash, acceptances and Government and municipal bonds. Net earnings in 1917, $150,260; 1918, $152,990, and first ten months of 1919, $238,327. Dividends at annual rate of 8 per cent., par of stock, $100, and 1 per cent. extra paid, November, 1919. Stock offered at 108½ to net 7.35 per cent.

Dominion Oil. Lands aggregate 5,438 acres in states of Oklahoma, Texas and Louisiana, in the first two of which the company has part holdings, but is sole owner in the case of the last named. Stated that there are 21 producing wells on these lands, with an earning capacity, for the portion owned by the Dominion Oil Co., amounting to $132,000 per month. At present a total of 19 additional wells are being drilled, which it is believed will about double the earning capacity. A majority of the outstanding stock is owned by the Middle States Oil Cor., and the management and technical skill of both companies are closely inter-related. Outstanding capitalization, 6 per cent. cum. pref., $400,000, par value, $100, and common, $2,000,000, par value, $10. Cash on hand and bills receivable about $655,000, and after paying all drilling charges and other obligations there should be not less than $250,000 cash available.

Famous Players-Lasky Cor. 8 Per Cent. Cum. Conv. Pref. Corporation is one of the largest and most important factors in the motion picture business. As there is no funded debt, and it is provided that no bonds or notes having more than one year to run can be issued without consent of two-thirds of outstanding preferred, it is in effect a first lien on the property. Current earnings are estimated at about five times preferred dividend requirements, and net assets, exclusive of good will, $223 a share. Company and subsidiaries have very bright prospects. Preferred convertible into common stock at 110 up to and including November 30, 1920; at 115 from then to and including November 30, 1921, and at 120 thereafter. Cumulative sinking fund of 3 per cent. annually, deducting converted amounts, and stock redeemable as a whole at 120. Offered at 100 to net 8 per cent.

Gilliland Oil 8 Per Cent. Cum. Conv. Pref. Principal properties located in the Cushing and Osage fields of Oklahoma, the Augusta and Eldorado fields of Kansas, the Ranger and Burkburnett fields of Texas and the Homer and Bull Bayou fields of Louisiana. Interests include 31 producing leases aggregating 4,247 acres, the company's net ownership being 2,506 acres. Holdings in northern Louisiana regarded as especially valuable. Total net production at this time is in excess of 16,000 barrels per day, which could be considerably increased, and oil is normally sold at premiums ranging from 20 to 80c above posted prices In addition, company has other sources of production and income. Net assets have been estimated at about $368 a share of preferred. Net earnings estimated to be running at present at rate of about $50 a share on the preferred. Prominent interests in back of company. Preferred convertible at any time into common at rate of two shares of common for one share of preferred. Sinking fund and redemption provisions made. Preferred offered to amount of $5,000,000 at 99 to net a little more than 8 per cent., and subscribers are given right to subscribe to common at 32 to extent of 40 per cent of preferred subscription.

KROGER GROCERY & BAKING 7 PER CENT. CUM. PREF. Company is the third largest chain grocery stores system, operating 690 grocery and 210 meat stores in a number of cities in the middle west. Business started in 1882 with one store, and has shown remarkable growth. Total 1918 sales, $23,342,367, and 1919 estimate, $34,000,000. Preferred to be offered to amount of $2,000,000 to provide working capital and expand business. During past four years, the dividend requirements on the preferred have been earned on the average of three times annually. Net quick assets are about $140 a share of preferred, and net tangible assets, $190. Careful restrictions provided for protection of preferred. Sinking fund and redemption features also provided. Offered at 100 to net 7 per cent.

MONTGOMERY WARD & CO., INC. First mail-order or catalogue house in U. S., and has been in business for nearly 50 years. Net sales have been showing excellent growth, and profits before deducting taxes increased from $1,653,480 in 1913 to $6,390,180 in 1918. Plants, factories and warehouses are located in Chicago, Kansas City, Mo., Portland, Ore., and Fort Worth, Texas. Property very efficiently operated. Company has specific plans for further developments, and this new financing will enable it to carry these out. Authorized, 1,000,000 shares of no par value. All issued, and 510,000 shares offered to public at 45 a share.

NUNNALLY CO. Manufacturers of high-grade candies, which are being reorganized under laws of Delaware as successor to Georgia concern of similar name. Purpose of reorganization is to enable company to increase its facilities to do business. Company's plants are modern, and completely equipped in every respect, and about 5,000,000,000 pounds of candy are turned annually. Company has shown good growth for a number of years, and it is estimated that for the current year about $4 a share will be earned on the stock, after deducting taxes. Has paid dividends since its inception. Present management is one responsible for progress and development of business. Capitalization consists of 160,000 shares of no par value, all of which are being offered at 23 a share.

E. E. TAYLOR 7 PER CENT. CUM. FIRST PREF. Business established in 1896 and incorporated in 1906 in Mass. Company manufactures Goodyear Welt shoes, the output being about 14,000 pairs daily. Net quick assets, $168 a share, and fixed assets, $82, making a total of $250 for each share of preferred. Net earnings for past 13 years have averaged four times dividend requirements on first preferred. Careful restrictions for protection of issue and also sinking fund and redemption features provided. Management owns the second preferred and common stock. Stock is free from all income taxes in Mass. Offered to amount of $1,200,000 at 100 to net 7 per cent.

Current Bond Offerings

Briefly Discussed and Analyzed

Issue	Maturity	Offering Price	Yield to Maturity		
Government and Municipal:					
*Bolivian Republic 6% Gold Loan....	Oct., 1940	92	6.50%		
*Province of Ontario Gold 5½s......	April, 1922	93.30	6.30		
*City of Seattle Municipal 5s.........	1925-'39	100	5.00	(a)	
Essex County Improvement 4¾s.....	1920-'39	100.29@103.94	4.45	(a)	
City of Bridgeport Improvement 5s..	1925-'59	103.13@111.25	4.40	(a)	
*City of Minneapolis Coupon 5s......	1920-'24,'49		4.55@4.60	(a)	
Cumberland Co. N. C., Rd. & Bdg. 6s.	Nov., 1922	102.47	5.10	(a)	
*Town of Groton, N. Y., Free Schl. 5s	1920-'49	100.39@106.47	4.60	(a)	(d)
Public Utility:					
*Penn Public Service 1st & Ref. 6s...	Dec., 1929	96½	6.50	(b)	
*Am. Gas & Elec. 6% Secured Notes..	1920-'24	98-99.05	7@7.10		
Cities Serv. Conv. Deb. 7s, Series D.	Jan., 1966	100	7.00	(b)	(e)
*Great Northern Power 1st S. F. 5s..	Feb., 1935	87.50	6.25		
United Light & Rys. 1-yr. 7% Notes.	Dec., 1920	99¾	7.25		
Connecticut Power 2-year 6% Notes.	Dec., 1921	98	7.09	(b)	(e)
Industrial:					
*National Oil 1st Lien 7s............	1922-'25	98-99½	7.25@7.47		
Jackson-Quincy Bldg., Chi., Ill., 1st 6s	1921-'28	100	6.00	(e)	(g)

(a) Exempt from Federal Income tax, including surtax. (b) Company pays normal income tax to the amount of 2%. (c) Exempt from Federal, State and Municipal Taxation as to interest and principal, excepting estate and inheritance taxes. (d) Available in $1,000 and $500 denomination. (e) Available in $500 and $100 denominations. (f) Exempt from State and local and from Federal normal income tax. (g) Without deduction from Federal income tax up to 4% so far as is legally permitted. (*) Discussed in text.

Bolivian Republic 6s. Republic is obliged to use proceeds of this loan exclusively for the construction and equipment of an electric tramway covering 95 miles. Issue is a direct obligation of Republic and is secured by first lien on railway and various government revenues. Amortization of loan is to be effected by annual payments by the Republic of $192,000 to the trustees to be applied first to payment of interest and balance to purchase of bonds at not exceeding par. Bonds will be exempt from all Bolivian taxes present and future. Income from sources pledged covered interest and principal requirements on bonds with large margin. Stated that Bolivia has never failed to meet her debt obligations, and has punctually paid interest and principal.

Province of Ontario 5½s. Bonds are a direct and primary obligation of Province, which has never found it necessary to exercise its power to levy a general property tax, as the revenue from other sources is more than sufficient to pay interest and principal on its debt. One of the most prosperous provinces in Canada. Interest and principal payable at option of holder in New York or in Canada, payments here to be made in U. S. funds. Not of very long maturity, but even then yield is quite large considering the strong character of the security.

City of Seattle 5s. Bonds an obligation of the City, the principal and interest being payable from the gross revenues of the entire Municipal light and power plant and street railway systems, and are issued to provide funds for the purpose of making certain additions and betterments. Interest on light bonds payable in April and October and railway bonds March and September. Principal payable in September and October. Exemption from income tax and strong security, make issue very attractive, when 5 per cent. return is considered.

City of Minneapolis 5s. Issues of 1920 to 1924 maturity offered at prices to yield 4.60 per cent. and 1949 maturity, 4.55 per cent. Due November 1, 1920, $50,000; each November 1 thereafter to 1924, inclusive, $100,000 and same amount November 1, 1949.

Town of Groton, Union Free School District No. 8, 5s. This district includes the entire town of Groton, N. Y., and additional adjacent territory. The industries of Groton are well diversified; its population is about 2,500, and it is on the Lehigh Valley R. R. Bonds have been authorized by voters of district. All of $1,000 denominations, excepting one of $500. Tax free in New York State and legal for savings banks' and trustees' investments.

Penn Public Service 1st 6s. Corporation owns and operates an electric light and power system serving over 50 communities in western Pennsylvania. It also does some incidental artificial gas and steam heating business, and through a subsidiary renders natural gas service in Johnstown and vicinity. Franchises of company are, in opinion of counsel, unlimited as to time excepting for a few minor cases. Bonds will be secured by a first mortgage on entire property subject to $3,612,000 underlying divisional bonds, all of whose mortgages are closed Assets estimated to be much in excess of bonded debt. For year ended October 31, 1919, interest charges earned more than twice over. Trust indenture will provide for maintenance and improvement fund of not less than 12 per cent. of gross operating revenues of company each year.

American Gas & Electric 6 Per Cent. Notes. Notes a direct obligation of company, and secured by pledge of collateral at rate of about 60 per cent. of par value of notes issued. Property controlled by interests closely related to General Electric interests, owns numerous public utility properties operating in 116 communities well scattered throughout U. S., but owns no gas producing or traction properties. Ohio Power, bonds of which are pledged under notes, is one of the richest subsidiaries of system. Earnings of company covered interest charges

(Continued on page 249)

BOND BUYER'S GUIDE

Arranged by F. M. Van Wicklen

THIS table includes many of the active bonds listed in the New York Stock Exchange. They are **classified** but not necessarily **recommended.** An endeavor has been made to arrange them in the order of desirability as investments, based upon **security of principal and income return.** The arrangement below attempts to balance these two factors. **This table appears in every other issue of this magazine.**

Foreign Government Bonds

	Apx. Price	Apx. Yld. %
*Anglo-French 5's, Oct. 15, 1920...	95½	11.85
U. K. Gt. Brit. & I. 5½'s, 1937..	86½	6.75
U. K. Gt. Brit. & I. 5½'s, 1929..	96	6.05
U. K. Gt. Brit. & I. 5½'s, 1922..	97⅛	6.60
Paris 6's, Oct. 15, 1921..........	92	11.10
*Jap. 2nd Ser. Ger. Stpd. 4½'s, 1925 (par value $974)..............	76	10.00
*French Cities 6's, 1934............	92⅜	6.90
U. K. Gt. Brit. & I. 5½'s, Nov., '21	96	7.95
Dom. Canada 5's, Apr., 1921.....	97	7.65
Dom. Canada 5's, Apr., 1926.....	92½	6.45
Dom. Canada 5's, Apr., 1931.....	92	6.00

Railroad Bonds Legal for New York State Savings Banks

First Grade:		
*So. Pac. Ref. 4's, 1955...........	76	5.60
Lou. & Nash. Unified 4's, 1940....	80⅞	5.60
At. Coast Line Cons. 4's, 1952...	77	5.55
Pennsylvania Gen. 5's, 1968......	89	5.65
*Atch., T. & S. Fe Gen. 4's, 1995.	76¼	5.25
C. Burl. & Q. Gen. 4's, 1958.....	77½	5.40
Nor. Pac. P. L. 4's, 1997.........	76	5.30
C. Burl. & Q. Ill. 3½'s, 1949....	74	5.25
Union Pacific 1st 4's, 1947.......	83	5.15
C. & North West. Gen. 5's, 1987.	97¾	5.15
†Union Pacific Ref. 4's, 2008......	76	5.30
*Norf. & West. Cons. 4's, 1996....	77½	5.20
N. Y. Cent. 1st 3½'s, 1997......	68	5.20
Lake Shore 1st 3½'s, 1997......	69½	5.10
M., St. Paul & S. S. Marie Cons. 4's, 1938	80	5.75
Illinois Cent. Ref. 4's, 1955......	76	5.55
Nor. Pacific Ref. 4½'s, 2047.....	80	5.60
C., M & St. Paul Gen. 4's, 1989.	64½	6.30
Del. & Hudson Ref. 4's, 1943....	80	5.50
Nor. Pacific Gen. 3's, 2047.......	53	5.65
Gt. Northern 4¼'s, 1961.........	82	5.30
Penna. Cons. 4½'s, 1960.........	89¼	5.15
Second Grade:		
*C. M. & St. Paul Conv. 4½'s, 1932	63¼	9.50
C. M. & St. Paul Ref. 4½'s, 2014.	56	8.00
C. M. & St. Paul Conv. 5's, 2014.	65	7.75
N. Y. Cent. Ref. 4½'s, 2013.....	77	5.90

Railroad Bonds Not Legal for New York State Savings Banks

First Grade:		
C., Burl. & Q. Joint 4's, 1921....	94¼	8.10
‡Union Pac. Conv. 4's, 1927.......	85	6.55
Ches. & Ohio Gen. 4½'s, 1992...	70½	6.40
Balt. & Ohio P. L. 3½'s, 1925...	82	7.50
Seaboard Air Line 1st 4's, 1950..	60	7.30
Col. & So. 1st 4's, 1929..........	83	6.50
Lake Shore Deb. 4's, 1928........	84	6.40
Ore. Sh. Line Ref. 4's, 1929.....	81¾	6.60
At. Coast L., L. & N. 4's, 1952..	68½	6.30
Wabash 1st 5's, 1939............	89	6.00
Ill. Cent.-C., St. L. & N. O. 5's, 1963	83	6.10
Balt. & Ohio 1st 4's, 1948.......	60	7.40
‡Cent. Pac. Ref. 4's, 1949.........	75½	5.75
*Virginian 1st 5's, 1962...........	83	6.10
Ore.-Wash. R. R. & N. 4's, 1961..	69	6.05
Kan. City Term. 4's, 1960........	70	6.00
Lehigh Valley 6's, 1928..........	100	6.00
N. Y. Cent., L. S. Coll. 3½'s, 1998	60	5.90
Southern Cons. 5's, 1995.........	84	6.00
‡Chic. Union Sta. 4½'s, 1963......	80	5.75
Union Pac. 6's. 1928.............	101½	5.75
C., Rock I. & P. Gen. 4's, 1988...	69½	5.90
Illinois Cent. 5½'s, 1934.........	91	6.50
Cent. of Ga. 6's, 1929............	93	7.00
Balt. & Ohio 6's, 1929............	86	8.10
‡Reading Gen. 4's, 1997...........	78	5.15
Second Grade:		
Ches. & Ohio Conv. 4½'s, 1930...	71½	8.85
*St. L.-San F., P. L. 4's, 1950....	55	8.00
Den. & R. Grande Cons. 4's, 1936	63	8.00
Mo., Pac. Ref. 5's, 1923..........	89½	9.05
‡Ches. & Ohio Conv. 5's. 1946....	77¼	6.90
So. Pac. Conv. 4's, 1929.........	79	7.05
‡So. Pac. Conv. 5's, 1934.........	103	4.70
C., Rock I. & P. Ref. 4's, 1934...	66	8.00
‡Col. & So. Ref. 4½'s. 1935......	72	7.70
*N. Y. Cent. Conv. 6's, 1935......	90¼	7.00
*Pere Marquette 5's, 1956........	83	6.15
Kans. C. So. Ref. 5's, 1950......	73	7.25
Mo. Pac. Gen. 4's. 1975..........	55½	7.40
‡Erie Cons. 4's, 1996.............	53	7.65
C. C. C. & St. L. Gen. 4's, 1993..	61	6.75
Western Pacific 5's, 1946.........	80¼	6.60
Mo., K. & Texas 1st 4's, 1990....	58½	6.85
St. L. So. West. 1st 4's, 1989....	60½	6.60
West Md. 1st 4's. 1952...........	48½	8.90
‡Erie Gen. 4's, 1996..............	41	9.85

	Apx. Price	Yld. %
Chic. Gt. West. 1st 4's, 1959....	52	8.00
Southern Gen. 4's, 1956..........	60	7.05
Chic. & West. Ind. 4's, 1952.....	57	7.60
Erie Conv. 4's "D," 1953........	39	10.50

Industrial Bonds

Western Elec. 1st 5's, 1922......	96½	6.30
*Midvale Steel 5's, 1936..........	82	6.85
‡Beth. Steel Ref. 5's, 1942........	86	6.15
Central Leather 1st 5's, 1925.....	96	5.90
Va. Car. Chem. 1st 5's, 1923.....	93½	6.90
Beth. Steel Ext. 5's, 1926........	96½	5.70
Armour R. E. 4½'s, 1939.........	81	6.20
*Am. Smelt. & Ref. 1st 5's, 1947..	85	6.15
Rep. I. & Steel 5's, 1940..........	92½	5.60
‡Lackawanna Steel Cons. 5's, 1950	94½	5.35
U. S. Steel 5's, 1963.............	97	5.15
Indiana Steel 1st 5's, 1952.......	94	5.50
National Tube 1st 5's, 1952.......	93½	5.50
Wilson & Co. 6's, 1941...........	97½	6.20
*U. S. Rubber 5's, 1947...........	86½	6.00
Am. Cotton Oil Deb. 5's, 1931...	85	6.90
Inter. Mer. Mar. 6's, 1941.......	92½	6.65
Gen. Elec. Deb. 5's, 1952........	94½	5.35
Distillers Sec. 5's, 1927..........	86	7.60
‡Com. Tab. Rec. 6's, 1941.........	86	7.35
Int. Agricul. 5's, 1932...........	81	7.45
Wilson & Co. 6's, 1928...........	95	6.75
Braden Copper 6's, 1931..........	92	7.05
‡Chili Copper 6's, 1932..........	81	8.60
Colorado Ind. 5's, 1934..........	75¼	8.00
Col. Fuel & I. 5's, 1943..........	86	6.15
Texas Co. Deb. 6's, 1931........	103½	5.60

Public Utility Bonds

Manhattan Cons. 4's, 1990......	58¼	7.00
*Amer. Tel. & Tel. Conv. 6's, 1925	98¾	6.25
*Amer. Tel. & Tel. Coll. 4's, 1929.	79	7.05
*Amer. Tel. & Tel. Coll. 5's, 1946.	80	6.60
*N. Y. Telephone 4½'s, 1939......	80¼	6.25
Columbia Gas & Elec. 5's, 1927...	83	8.00
New York Tel. 6's, 1949.........	96	6.30
Int. Rap. Tran. Ref. 5's, 1966....	54	9.40
West. Union Tel. 4½'s, 1950....	81	5.85
‡Hudson & Man. Ref. 5's, 1957...	57	9.00
Public Serv. C. N. J. 5's, 1959...	60	8.60

*In denominations of $100, $500 and $1,000. †In denominations of $100 and $1,000. ‡ In denominations of $500 and $1,000.

December 18, 1919.

CURRENT BOND OFFERINGS

(Continued from page 247)

with good margin and dividends have been paid on both classes of stock for a number of years. Notes to amount of $4,000,000, and $500,000 mature in December 1, 1924, balance in December, 1921 and 1922. An attractive short term issue.

Great Northern Power 1st 5s. Company owns and operates a modern hydro-electric plant located on the St. Louis River, Minn., of approximately 72,000 horsepower installed capacity, and it wholesales power without competition in the great Duluth-Superior district and on the Mesaba iron range. Company is almost entirely independent from coal shortage and labor difficulties, and is in position to expand as necessity demands. Current earnings are at rate of over 3 times interest requirements. A fairly attractive issue at the price offered.

National Oil 1st 7s. Company is engaged in producing, refining and transporting crude oil and building oil carriers. Oil lands are in Mexico and in Texas and Northern Louisiana. Owns all needed equipment to make a complete cycle in oil business. Proceeds of this issue will be used for purposes of expansion, and management will remain in hands of men responsible for success of business. Bonds secured by first lien on all subsidiary companies' stock, excepting qualifying directors' shares, and earnings cover interest charges with good margin. Large development program looked for.

Financial News and Comment

Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither The MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which he have every reason to believe are accurate and trustworthy. Investment commitments should not be made without further corroboration.—EDITOR.

RAILROADS.

BALTIMORE & OHIO—Statement on Finances.—After payment of interest January 1, the company will have a working capital of $22,000,000, or over $100 per share of outstanding stock. There will be due from the Government $7,000,000 on compensation and $15,000,000 on account of materials. The administration spent $22,000,000 on the property in two years, on account of which the company is entitled to $12,500,000 credit, leaving a balance of $9,500,000 due the Government. The company has accepted $17,000,000 worth of equipment covered by certificates running 15 years. The recent issue of $35,000,000 10-year bonds funded are short-time obligations except balance due the Government. In connection with the above statement it is interesting to refer to Senator Kellogg's speech in the Senate in which he charged the Railroad Administration with "enormous extravagances" in the operation of the roads, and with building up a great central organization which has "benumbed the incentive and enterprise of every railroad organization." He further declared that inequalities in wage awards had added "grossly" to the cost of operation and lowered the morale of the service. Thus the return to private ownership appears desirable for many a reason. Of interest is the recent advance in the company's stock, both the preferred and common, while most of the rail shares were reflecting the uncertain sentiment regarding the transportation outlook by selling off. The forward movement was no doubt caused by the earning statement for the final 6 months of the current year showing 5% earned on the common.

BOSTON & MAINE—Reorganization and Earnings. — Circulars have been sent to the holders of the company's 7 principal leased lines, calling for deposits of stock with the Old Colony Trust Co. in return for which the first preferred stock of the reorganized company will be issued.

The final payment of the leased line dividend will be adjusted to make the full year's distribution equal to the reduced amount as in the plan.

Under the consolidation agreement, Boston & Lowell receives first preferred stock, class B, entitled to 6.4% dividends, beginning January 1, 1919. Only 2.4% still remain to be paid; Fitchburg stockholders get first preferred stock, class A, entitled to 4% dividends of which ¼% is still due; Concord & Montreal obtains class C and is entitled to 5.6% dividends of which 35c per share still remains unpaid; Lowell & Andover holders are to receive 3.17% on the company's present stock in 1920, having already received 4.16% in 1919 of which only 3.47% was applicable to 1919; Kennebunk & Kennebunkport stockholders get class E first preferred, entitled to 3.6% dividends of which 1.91% is still due; Manchester & Lawrence receive class D first preferred, entitled to 8% dividends, of which 1⅓% is still due; Connecticut River gets class D first preferred entitled to 8% dividends; 3% of it is still due. Payment of dividends still due for 1919 will be made on delivery of the certificates of stock in the company, which was reorganized at a cost of only $253,000, whereas normally a reorganization of this size would cost from $1,500,000 to $2,000,000.

The funded debt of the new corporation (including all subsidiary companies) will be $103,167,060, and the fixed interest charges $4,406,593. The first preferred stock to be issued will be $38,817,900, with dividend calls on it for $2,035,780 per annum. The $3,149,800 preferred stock, to be issued, entitled to not over 4% for 5 years, would call for $125,992.

Net earnings for October show an appreciable increase over the same month in 1918. Gross earnings for the 10 months ended October 31, 1919, show a gain of over $1,779,054 over last year, but net is $246,670 behind 1918. If the company should do as well in November and December as in October, net operating income for the year would be $5,379,000, thus barely covering fixed charges and dividends on the first preferred stock.

CANADIAN PACIFIC — Roads in United States.—On December 3, 1918, the company and its subsidiaries controlled roads in the United States with a combined mileage of 222 miles, which are not operated under the U. S. Railroad Administration; the company controls 13 lines in the U. S., constituting 5356 miles, which are under control of the Railroad Administration.

The Canadian Pacific is one of the few railroad companies that have done well during 1919, as compared with previous years. Gross earnings for the first nine months of the year amounted to $124,239,972 against $111,080,975 for the same period in 1918; net earnings for the first 9 months amounted to $23,053,267 or nearly $70 per share of the company's outstanding stock, a

slight decrease compared with the previous year. The recent decline in the stock was no doubt due to rumors that the date of handing back the railroads to their owners would be considerably delayed.

CHESAPEAKE & OHIO—Common Not to Be Ex-Dividend.—The committee on securities of the Stock Exchange has ruled that the common stock of the company shall not be ex-dividend until further notice, and that all certificates delivered, therefore, must bear a due bill. The dividend of $2 per share on this stock was declared payable to holders of record December 5, subject to the completion of the necessary financial arrangements with the U. S. Railroad Administration.

CHICAGO, ROCK ISLAND & PACIFIC—Gross Earnings Increase—Income Does Not Meet Government Guarantee of Standard Return.—The company to November 30 had piled up gross earnings of $105,596,000, an increase of 10.6% over 1918.

If gross earnings for December are as large as November, Rock Island should earn $114,500,000 gross for the full year or about $88 per share of the total outstanding stock, compared with $74.49 for the previous year, establishing a new high record. As the increased freight and passenger rates were in effect a year ago at this time the substantial gains shown by earnings in recent weeks indicate good business conditions and traffic expansion in Rock Island's territory.

An interesting feature is the recent large increases in passenger earnings indicating the growing volume of passenger travel over 1918. Passenger earnings in November increased 21.5% over November, 1918. During the 11 months' period the gain in passenger revenues is 16.9% comparing with a gain of 10% in freight revenues. Passenger revenues constitute 28.2% of total revenues.

Freight revenues of Rock Island for the year should be $76,000,000. The increase in business and the advance in rates have been far from meeting the increase in operating expenses. The road's wage bill alone during Federal control has increased $22,000,000 per annum.

A 25% increase in freight rates based on the estimated freight revenue for 1919 would add $19,000,000 to Rock Island's revenues, which would be $3,000,000 less than the increase in wages.

It is doubtful if the I. C. Commission will sanction a 25% increase in freight rates, much as it is needed to restore satisfactory net earnings and credit.

According to indications Rock Island's net operating income this year will fail to meet the Government guarantee of standard return of $15,883,891 by $5,000,000.

CHICAGO, INDIANAPOLIS & LOUISVILLE—Earnings Decrease.—The annual report of the company for 1918 shows a net corporate income after taxes and other charges as well as deductions of preferred dividends, amounting to $599,356, or about $3.80 a share compared with $5.71 per share, earned on the $10,500,000 common stock in the

preceding year. The Federal operating account contained in the report shows a net operating income of $746,738, as compared with $1,684,509 earned in the previous year, which was the last of private operation.

PERE MARQUETTE—Income Account.—The strong financial position of the company caused its stock to become one of the favorites during the nervous and declining market, and Pere Marquette was indeed the particularly outstanding feature of the railway group. The upward movement was no doubt due to increased earnings and was accompanied by reiterated rumors that the road would be in a very fine position when private ownership is announced.

The company's report for October compares:

1919—Earnings: October gross, $3,539,-290; net after taxes, $1,112,341; net operating income, $881,354, an increase of less than 25% over 1918; 10 months' gross, $28,966,321; net after taxes, $6,-936,087; net operating income, $6,111,515, or about 3 times as much as in the preceding year.

1918—Earnings: October gross, $2,960,-109; net after taxes, $766,276; net operating income, $708,218; 10 months' gross, $23,400,400; net after taxes, $3,-587,966; net operating income, $2,566,394.

PITTSBURGH, FORT WAYNE & CHICAGO—Pays Extra Dividend.—An extra dividend of 5¾% was declared on the common stock in addition to the regular quarterly dividend of 1¾%, both payable January 2 to stockholders of record December 10. An extra dividend of 5¾% was also declared on the preferred, in addition to the regular quarterly dividend of 1¾%, both payable January 5 to stockholders of record December 10.

READING COMPANY — Income Acccount. — Philadelphia & Reading Coal & Iron, a subsidiary of the Reading Company, shows a surplus from January 1 to August 31 amounting to $571,174, or $7.14 per share compared with $32.70 per share for the whole preceding year, or 82c per share of the common stock of the parent company; the total working capital for the 8 months ended August 31 amounted to $179.36 per share against $159.66 for the whole of 1918.

SOUTHERN PACIFIC Wins Important Suit Against Government—Income Account.—The recent decision of Attorney General Palmer confirms the company's titles to 162,000 acres of oil land and removes the restraining orders which prevented the company from drilling the lands. These orders had seriously affected the company's income, reducing the oil output from 9,500,000 barrels in 1917 to 8,500,000 in 1918. The Attorney-General's decision *eo ipso* imparts an additional asset value of $60 a share, and should increase outside operating income, when drilling operations can be carried on, to $4 a share in place of the present $2 a share on the $300,-000,000 stock. However, it does not seem likely that the company, as a railroad enterprise, will engage extensively in the

commercial oil business, but will probably continue the same general policy it has pursued in the past.

A report which has just been issued compares:

1919—Earnings: October gross, $23,018,651; net after taxes, $7,319,243; net operating income, $6,571,550 (a slight decrease compared with 1918); 10 months' gross, $185,487,250; net after taxes, $34,171,497; net operating income, $32,870,794, a decrease of more than 30% compared with 1918, or equal to $10.92 per share of the total outstanding common stock.

1918—Earnings: October gross, $20,230,222; net after taxes, $6,538,048; net operating income, $6,635,362; 10 months' gross, $173,774,324; net after taxes, $42,763,454; net operating income, $43,098,674.

WESTERN PACIFIC—Income Account.—1919—Earnings: October gross, $1,780,854; net after taxes, $927,023; net operating income, $968,236 (an increase of more than 500% over October, 1918); 10 months' gross, $11,146,097; net after taxes, $2,715,248; net operating income, $2,687,360 (an increase of more than 3% over the corresponding period in 1918), or equal to $5.66 per share of the company's common stock.

1918—Earnings: October gross, $1,065,733; net after taxes, $180,700; net operating income, $154,001; 10 months' gross, $9,414,199; net after taxes, $2,621,628; net operating income, $2,599,571.

The company's comparatively strong financial position is reflected in the prices of its stock, which has not changed materially since 1915. However, the prospects, at least as regards the near future, are very uncertain, particularly since definite news concerning the return of the railroads to their owners was lacking. No one can tell what the President's message to Congress will suggest, and in the meanwhile every unfavorable possibility is receiving minute analysis, and causes alarm to most of the holders of rail shares.

UNION PACIFIC Profitable to Government.—The company continues to lead the large railroads of the U. S. in operating results. During the 22 months of Federal control to October 31, 1919, the Government has realized a profit from the property of $22,500,000, which means about $9.82 per share of common stock after proper deduction for dividends on the 4% non-cumulative preferred stock.

INDUSTRIALS

AMERICAN LOCOMOTIVE—Foreign Business. — The company has closed an order with the Belgian Government for seventy-five consolidation type locomotives. A representative of the company has been in Belgium for several weeks, presumably arranging the final details of the transaction. The value of the order amounts to about $4,000,000.

Some time ago it was announced that the Belgian Government was in the market for 750 locomotives and it was stated in the cable that the American Locomotive Company was bidding for the order. Later word was received that part of the requirements might be filled in other markets. In spite of losses during November and December the company will finish the second half of the current year with its $3 dividend for that period earned. Operations at present are only at 15% capacity, but conditions are improving gradually.

AMERICAN MALT & GRAIN—Receiver Asked—Earnings. — Application has been made before Supreme Court Justice Lazansky in Brooklyn by certain stockholders of the old American Malting Co. for an accounting and the appointment of a receiver of this reorganized company. The basis of the suit is that the dissolution of the original corporation in connection with the prohibition amendment was to the disadvantage of common stockholders, because the new concern could reap great profits by manufacturing malt for liquor. The net earnings for the third quarter, ended September 30, 1919, amount to $157,744, or $2.87 per share of the company's total outstanding stock of 55,000 shares of no par value.

AMERICAN TOBACCO — Bright Prospects.—The company's sales for October totaled over $17,000,000, which exceeds the sales for the preceding month considerably. In view of this and the remarkable income exhibit in the preceding year, when surplus available for dividends was almost 30% higher than in 1917. The earning capacity will also be appreciably helped by the company's acquisition of a new factory at Kansas City, which will be used for the production of cigarettes, thereby increasing its capacity between 15 and 20%. The new factory will begin operations around March 1, 1920.

In view of the fact that the company's dends in the period 1910-19 were $190,- aggregate net profits available for divi- 177,615, the prospects of the company seem very bright indeed.

AMERICAN WRITING PAPER—Protected Against Foreign Competition.—According to President Galliver, American paper manufacturers will have nothing to fear from European competition for at least 5 years. Cheap labor costs which enabled European countries, especially Germany, to flood the market with low priced paper previously is now a thing of the past. The company expects its exports of paper will amount to about $7,500,000 in 1920, or more than twice as much as the present figure. This includes South American exports, where the company does a large business. Due to the hold

Great Britain has on the paper trade in the Latin countries, the company expects keenest competition there. As regards the domestic situation, the demand continues heavy with no indication of a change in this respect. The company plans to make extensive improvements, to standardize its output, and to concentrate its efforts on a better grade of paper which is now very much in demand. In view of these apparently favorable conditions, the strong position of writing papers, the unusually active export demands, and the upward tendency of the prices, the company may well expect a long era of prosperity.

CASE THRESHING MACHINE—Foreign Exchange Situation Does Not Interfere with Earnings.—Earnings of the company in the current year are expected to show up about as well as in 1918, the company's best year, when more than $18 a share was earned on the common stock. The barrier raised against foreign business as a result of the foreign exchange situation appears not to have greatly interfered with the company's earnings, expansion of domestic orders offsetting to a considerable extent the decline in foreign business. Case Threshing Machine has been pursuing its policy of retiring its 6% gold bonds, due from 1918 to 1926. If it makes as much progress in this direction this year as it did last year, funded debt will have been reduced to less than $1,000,000.

COLUMBIA GRAPHOPHONE—Income Account.—The company for the 10 months ended October 31 shows net income, after depreciation, reserves and other charges, of $3,240,669. After preferred dividends the balance is equal to $3.35 a share on the 781,952 shares of common of no par value outstanding December 10.

ENDICOTT-JOHNSON — Strong Position.—The declaration of an extra dividend of $2 per share on the company's common stock is looked on as the first of a series of extra cash dividends which will not eliminate the possibility of a 20% stock dividend in 1920, which is still being discussed. The company's unusually strong position is no doubt due to the fact that the net income for the year, after payment of taxes, will equal about $7,000,000, or $25 a share for the 280,000 shares of common stock, and that the company has but little, if at all, been affected by the conflicting labor situation. The efficiency of the company's help is now better than ever, and the labor turnover is but 2%, which is mainly due to the company's profit-sharing system.

GENERAL MOTORS CORPORATION'S GROWTH.—According to a statement by President Durant, the company expects to do gross business in 1920 amounting to $800,000,000, against $450,000,000 in 1919 and $172,677,499 in 1917. With one of the largest foundries in the Middle West under construction, the Samson Tractor Co., subsidiary of General Motors, is about to erect two more foundries of similar dimensions. The farm implement plant of the old Janesville Machine Co. will be turned over to the manufacture of Samson farm trucks and 9-passenger touring cars. A new Samson farm implement plant will also be built. The company is going to establish service stations for the Polish Army, which has recently taken over 1,500 motor cars and the same number of motor trucks sold by the U. S. Government. The service will be extended for civilian uses. The corporation in its statement for the 7 months ended July 31, 1919, shows surplus after charges, preferred and debenture dividends of $34,158,954, equal to $23.10 a share on total outstanding common stock. If President Durant's prediction in regard to the company's earning capacity will be realized, the annual surplus after all charges per share of the company's common stock will equal to more than $75 for 1920.

GOODYEAR TIRE & RUBBER COMPANY—Shows Heavy Increase.—Profits for the year ended October 31, 1919, increased to $23,277,245 from $7,889,055. Net profits, before payment of taxes but after payment of $2,813,940 in preferred dividends, were equal to $98.58 a share on the $20,757,600 common stock, compared with $63.43 a share in 1918. The common stock received $2,489,355 (12%) in dividends, leaving a $17,973,950 surplus, an increase of about 150% over the previous year. Dividends were paid at the rate of 7% on the first preferred and of 8% on the second preferred, amounting altogether to $2,813,940. The fact that the automobile, tire and accessory business is running more smoothly than any other industry in the country will markedly increase the volume of business of the company, which expects to manufacture and distribute $250,000,000 products in 1920. The daily output of pneumatic tires has now reached $33,000 daily, and even this does not take care of the demand. The company further announced the organization of the Goodyear Tire-Rubber Company of California, with a capital of $20,000,000, and of the Pacific Cotton Mills Company, with a capital of $6,000,000.

INTERNATIONAL MERCANTILE MARINE—May Declare Extra Dividend, Considering New Service.—The directors of the company will shortly vote a large extra dividend on account of back preferred dividends. The company has sufficient cash to pay an extra of 25% on the preferred, but only $5 will be declared because certain large holders of the preferred wish to wait until next year on account of the heavy taxes. The company is also considering the establishment of a direct passenger service from New York to Havre for which the St. Paul and four other ships recently acquired will be used. Plans have been completed to convert these five ships into

oil burners and work is now well under way. Arrangements have also been made to resume passenger service between New York, Southampton, Antwerp and Hamburg in place of the German line wiped out by the war. The increasing operations, which will considerably help the company's annual earnings, have markedly affected Marine shares, which were for a time at least among the few favorites during the recent nervous and declining market.

MAXWELL AND CHALMERS' READJUSTMENT.—Under the plan and agreement of readjustment, dated August 30, 1919, only 66% of Maxwell Motor stock, 11% of Chalmers First Mortgage 6% 5-year gold notes, and 79% of Chalmers stock have been deposited. These amounts, and chiefly the amount of notes of Chalmers Motor, are not sufficient to enable the readjustment committee to declare its plan operative. The committee has been unable to secure from the bankers a positive commitment for an extension of the time for the purchase by the latter of the $10,000,000 of new notes referred to in the plan; the time for the deposit of securities is therefore extended to and including January 31, 1920. If sufficient additional deposits are received prior to this date, the committee will again endeavor to effect arrangements for the sale of the $10,000,000 notes of the new company. The committee, which is headed by Harry Bronner and includes James C. Brady, John R. Morrow, Elton Parks, Jules S. Bache, Hugh Chalmers and J. Horace Harding, urges holders to deposit their securities promptly, since the plan is of utmost importance to them.

NATIONAL CONDUIT & CABLE —Income Account.—The income statement for the 9 months ended September 30, 1919, compares:

1919—Net sales, $7,077,046; manufacturing costs and expenses, $7,583,684; loss from operations, $506,638; other income, $104,387; deficit, $402,251; taxes, interest and depreciation, $456,937; total deficit, $859,188 (a decrease of more than 2% over 1918).

1918—Net sales, $10,790,010; manufacturing costs and expenses, $11,011,207; loss from operations, $221,197; other income, $66,356; deficit, $154,841; taxes, interest and depreciation, $723,007; total deficit, $877,848.

The poor earnings as shown by the report are reflected in the selling price of the company's stock, which has been downward continually. The company can hardly be expected to pay any dividends on its stock in the near future.

NEW YORK DOCK—Income Account—1919—Earnings: October gross, $416,179; net after expenses, $145,194; surplus after charges and taxes, $56,155, or a decrease of more than 60% compared with 1918; 10 months gross, $4,282,025; net after expenses, $1,621,910; surplus after charges and taxes, $728,000, a decrease of about 30% over 1918.

1918—Earnings: October gross, $461,850; net after expenses, $200,855; surplus after charges and taxes, $91,779; 10 months gross, $4,446,584; net after taxes, $1,916,453; surplus after charges and taxes, $952,191.

The annual earnings per share of the company's outstanding stock, both common and preferred, which are traded in quite actively on the N. Y. Exchange, amount to nearly $12, estimated on the basis of earnings for the first 10 months of 1919, only a slight decrease compared with total earnings per share in 1918.

REMINGTON TYPEWRITER — Earnings.—The company should show earnings of between $15 and $20 a share for its 100,000 shares of common stock this year after payment of taxes. Cash on hand amounts to $5,000,000. The prospects for the future are even brighter. Because of the continued inquiries for its product, both here and abroad, the company finds it very difficult to take care of the demand. Officials of the company are assured of capacity operations for several years to come.

RETAIL STORE'S LARGE PROFITS.—Various securities held in the company's treasury show an accrued paper profit of between $10,000,000 and $15,000,000, equal to between $13 and $20 on the 750,000 outstanding shares. The company declared an initial dividend of $3, payable February 1 to stock of record January 15. The company will probably distribute a stock dividend early in 1920.

REPUBLIC MOTOR—Earnings.—Although the company's earnings in the fiscal year ended June 30 were approximately $5 a share, it is known that at the present time it is earning at the rate of close to $25 a share. There have been several stories circulated lately concerning Republic Motor in regard to the company being taken into another concern. A denial of one of these stories was made by John N. Willys. He said in effect that Republic Motor Truck would not be taken into the Overland Company, but he did not say that it would not be taken into the Willys Corporation. This deal is said to have already been made, the corporation having paid much above the market price, in fact close to par, for the stock. The stock in its recent market action showed that it was in scant supply.

REPUBLIC IRON & STEEL—Issues Additional Stock.—In order to meet future requirements of the expanding business and the new construction program, the directors have authorized the issue of 26,840 shares of unissued common stock (par $100), and that holders of record December 26 would be entitled to subscribe for one share of new stock for every 10 shares held on that date. The

new stock will not share in the dividends to be paid to holders of record January 15, but will share in all subsequent dividends. A prominent Stock Exchange house had agreed to purchase at par any stock not subscribed for by the shareholders, for which obligations and service the company would pay a reasonable compensation.

Since the company's earnings for the first 9 months of the current year are considerably smaller than those for the corresponding period of last year the new issue will markedly affect the earnings per share of the company's outstanding stock, which ought to be helped by the settlement of the coal strike, improvement in the conflicting labor situation in general, and the constantly increasing demand.

BUTTERICK'S Earnings and Future Prospects.—Notwithstanding the expensive printers' strike, the earnings of this year will be the largest in the history of the corporation. Whereas it had been previously expected that the net for the common for the year would show in excess of $1 a share, interests close to the company intimate that the balance will be between $7 and $8 a share, or more than twice as large as 1918. The outlook for 1920 is such that these same people are confidently expecting at least $20 a share for the stock. So long as high excess profits taxes remain the publishing industry will have things practically its own way. By advertising extensively manufacturers and distributors can be said to be putting their profits back into the plant; but this advertising is also bringing more money to these same sources. In all cases of this kind the publisher profits most. Butterick has also been put to the expense of putting up a new plant, but this undertaking was financed by an issue of preferred stock. The charges on the preferred are not so large that the present earnings cannot overcome them and still leave something for the common, even with this year's earnings.

STROMBERG CARBURETOR — Profits.—The company for 3 months ended September 30, reports a surplus, after charges and Federal taxes, of $102,342, or equal to $2.04 a share on the 50,000 shares of capital stock of no par value. Total income during period was $178,680 and expenses $51,338. The profits were $127,342, from which $25,000 was deducted to cover tax requirements.

SOUTH PORTO RICO SUGAR—Income Account.—The balance sheet of the company and subsidiaries as of September 30, 1919, compares:

1919—Assets: Property account, $13,616,613; mortg. P.R. lands, $1,918,079; materials and supplies, $275,761; advances to plan, $1,752,932; current assets, $1,754,041; total assets, $19,317,426. Liabilities: preferred stock, $5,000,000; common stock, $5,602,800; depreciation and reserves, $7,678,400; current assets, $281,514; surplus, $1,036,222, or $18.50 per share of common, compared with $17.68 in 1918; total liabilities, $19,317,426.

1918—Assets: property account, $13,095,516; mortg. P R. lands, $2,221,186; materials and supplies, $537,292; advances to plan, $344,854; current assets, $3,419,632; total assets, $19,618,480; liabilities: preferred stock, $3,995,000; common stock, $5,625,000; dividend scrip, $505,640; depreciation and reserves, $6,773,353; current liabilities, $1,725,719; surplus, $993,768; total liabilities, $19,618,480.

Actual earnings applicable to the common stock of the company for the fiscal year were nearly $56 a share, against $33 for the previous year, taking into account earnings of Russell & Co., in which the company's stockholders have a beneficial interest. Earnings in 1920 should show a large increase with P. R. sugar selling around 9½c, against 7.28c in 1919. Extra dividends are regarded probable next year in addition to the regular 20% on the common stock.

U. S. STEEL—Increases in Unfilled Orders.—The company announced an increase of 655,662 tons in the unfilled orders. The total unfilled orders amounted to 7,128,330 tons. This level compares with 6,472,668 tons at the end of October, during which month a gain of only 188,030 tons was recorded. The increase in September was 175,535 tons and the total at the end of that month was 6,284,638 tons. Shipments during November were estimated as 85% of the pre-strike level. During September and October of the current year the presence of the strike in the steel industry was keenly felt, with the result that a more conservative policy was adopted by the corporation with regard to the taking on of new business. Since the start of November, however, the strike has ceased to be considered, and the larger interests are booking record tonnages in the way of new business. The demand from consumers in this country is said to be so heavy that foreign interests report considerable difficulty in locating any real tonnages for shipment overseas. Further increases in the backlog of the Steel Corporation are considered certain. The company has also received an order for between 15,000 and 18,000 tons of steel rails from Holland. Deliveries on the contract are to be in 60 days, and shipments made to the Dutch East Indies. The fact that the company was able to compete successfully with foreign manufacturers who tried to secure the order no doubt indicates the favorable position of domestic concerns seeking to obtain foreign business.

UNITED FRUIT Changes Annual Meeting and Fiscal Year.—At the annual meeting of the company, directors were re-elected and the meeting adjourned until March 11, when stockholders will amend the by-laws to change the annual meeting from December to the second Wednesday in March, and the fiscal year to end December 31, instead of September 30. The company's report covering the 15 months ending December 31 next will be given out about February 15.

WILLYS-OVERLAND COMPANY —Future Prospects. — Production has been growing steadily until it is now the highest on record, viz., 500 cars daily. In view of the increased efficiency of the present factory organization and the vanquished labor troubles, it is expected that by January 1, 600 cars will be turned out daily, and by April 1, 1,000. The projected output for 1920 is 200,000 cars, which means about 20% earnings on the company's common stock. Because of the keen demand for cars under the $1,000 class, the marketability of the new Model 4 has been beyond expectation, and a similar big demand is already being felt for the new Willys-Knight models, production of which is now getting under way. Despite the steadily increased production, unfilled orders of the company have for weeks been above 60,000 cars.

PUBLIC UTILITIES

AMERICAN TELEPHONE & TELEGRAPH—Rate Increases Opposed.— The State conference of mayors and other city officials decided to carry on a campaign so that the company will not be permitted to file a change in rates and put it into effect without showing the P. S. Commission the necessity therefor. It is proposed to introduce this bill January 1, 1920, and urge its passage

BROOKLYN RAPID TRANSIT—Decision on Receiver's Petition Reserved by Court—New Proposal from City.—Judge Mayer, in the U. S. District Court, has reserved decision on application of Receiver Garrison for authority to expend $360,000 for 41 trolley cars of which 37, costing $325,000, would be for lines of the Nassau Electric and 4, costing $35,000, for the Brooklyn, Queens County & Suburban R. R. Decision has been reserved because of the wording of the application which made the certificates preferred obligations of the companies wishing to issue them. The Nassau Electric petition contained a reservation that future application would be made for the issuance of $2,500,000 certificates, while that of the Brooklyn, Queens County & Suburban made the reservation of applying for $1,500,000 of certificates and directed that the $50,000 owed the city by other lines be paid; also that some $100,000 that several subsidiary lines owe the B. R. T. for power be paid in monthly installments. Commissioner Delaney has submitted to Receiver Garrison an agreement for connecting the Fulton St. elevated line in Brooklyn with the new subway route at Ashland Place, and for another subway and under-the-river tube from central Brooklyn to City Hall, Manhattan. Mr. Garrison is expected to accept the agreement and the work will begin shortly. In previous discussion the company insisted that the tolls of 10c for each elevated car and 5c for each trolley operated over the Brooklyn Bridge, or a minimum of $92,000 a year to the city should be credited to the company as interest on the City Rapid Transit bond, and that the city should be credited with only $1,600,000 for the cost of the connection, which is estimated at $3,500,000. The present agreement makes no mention of tolls on the bridge and provides that the entire cost of constructing the connection be credited to the city. The planned construction will remove rapid transit traffic from the Brooklyn Bridge, and make unnecessary the $9,000,000 strengthening of the bridge, thus leaving the latter free for the increased vehicular traffic. Approval by the Board of the Estimate and a separate approval by the Mayor are required to validate the new route.

MASSACHUSETTS GAS—Earnings of Subsidiary Poor.—The earnings of East Boston Gas, a subsidiary of the company, did not meet its dividend in the first 6 months of 1919, and if business had continued the same for the entire year, it is doubtful whether it would have earned fixed charges. In view of this the Gas & Electric Light Commission has increased the price of gas sold and delivered by the company from $1 to $1.05 per M cu. ft.

CITIES SERVICE—South American Operations—New Offering.—The company will soon begin to operate extensively on the highly valuable Barco property in Coluombia. A party of executives and oil well drillers sailed for Colombia recently to begin a vigorous drilling campaign. Equipment for operations is already on the ground and the rig for the well has been completed. Locations have been selected for other wells on structures pronounced favorable by geologists. It was also announced that Henry L. Doherty & Co., in connection with local investment houses, are offering $10,000,000 7% convertible debentures of the company, class D, due January 1, 1966, at $100 and interest. Earnings are said to be over 7 times interest charges on all debentures outstanding, including this issue.

Early in 1918 the company offered Series B Debentures at par and early in 1919 Series C Debentures, also at par; both these issues are now selling materially above the original offering price. Each $1000 7% Series D Debenture is convertible on and after January 1, 1922, into $925 par value Cities Service Company Preference stock and $75 par value Cities Service Company Common stock with all accumulated cash and stock dividends on common stock from December, 1919, up to the time of conversion.

I. R. T. Averts Receivership.—The amount of $5,000,000 needed to prevent default of interest, and avoid receivership has been supplied by holders of large amounts of the company's bonds and notes, who believe the best interests of all concerned will be conserved by keeping the properties from a receivership. The condition under which the company, like all traction companies, has been operating is very unfavorable. An immediate increase in the rate of fare does not seem very possible owing to strong opposition against such action. It seems that the opponents of a 10c fare might be reconciled if the company should be permitted to establish a 10c fare during

non-rush hours, Sundays and holidays, and maintain the old 5c fare during the rush hours.

PHILADELPHIA COMPANY — Income Account.—The earnings of the company and subsidiaries for October, for all departments, compare:

1919—Earnings: October gross, $1,985,785; net, $611,388; 10 months gross, $22,008,177; net, $8,924,520.

1918—Earnings: October gross, $2,395,000; net, $1,067,850; 10 months gross, $21,822,515; net, $8,667,328.

The net earnings per share of the company's total outstanding stock, both common and preferred, amounts to about $9.11, estimated for the entire current year on the basis of earnings for the first 10 months.

PUBLIC SERVICE CORPORATION OF NEW JERSEY—Zone System a Fiasco.—The zone fare system tried by the company has not realized expectations; it has added from $800,000 to $1,000,000 a year to the company's operating expenses, revenue under it running behind the 7c fare $12,000 daily. The average rate of fare received was 3½c less than a straight 5c fare. Operations under the zone system, from September 14 to November 30, resulted in a deficit of $662,926. The deficit for October alone amounted to $305,645, compared with $54,822 surplus for August under the 7c fare plan.

TOLEDO RAILWAYS & LIGHT COMPANY—Resumes Service.—Street car service was resumed at Toledo on December 5, after an idleness of 4 weeks. The fare will be 6c and 2c for transfers. The buses which operated with cessation of car service decided to remain in business at a 5c fare and 1c for transfers.

AMERICAN PUBLIC UTILITIES —Income Account.—Utah Gas & Coke, a subsidiary of the company, has issued a statement showing consumption of 415,110 M cu. ft. of gas for the year ended October 31, 1919. Net profits for October amounted to $330. Utah Gas is operating at a loss, and has requested state officials to increase rates from $1.10 to $1.50 per M cu. ft. Last summer the rate was 90c. Gross income for the period May-October was $261,194; the production cost of $122,248 was largely offset by sales of coke, tar and ammonia products which reduced the cost to $45,214. Total expenses including taxes and depreciation were $201,635, leaving earnings applicable to capital charges of $59,559 for the 6 months, or $2.38 per share of common stock. The company also asked that its new ready-to-serve charge of 25c a customer be increased to 50c. All commercial bodies are in favor of an increase if the condition of the company shows the need in order to operate on a business basis.

WESTERN UNION'S Income Account Shows Marked Improvement.—The company's net operating income for October amounts to $2,243,575, or equal to more than $2 per share of the total outstanding capital stock, against $1,545,824 income in October, 1918, or a little more than $1.50 per share. The operating income for the first 10 months amounts to $17,039,873, or more than $17 per share, compared with $12,149,595, or over $12 per share.

MINING NOTES

AMERICAN SMELTING—Advance Price of Lead.—The company advanced the price of lead from 6.75c to 6.90c. This means additional earnings of about $650,000 per annum, estimated on the basis of the company's production of lead in its leading 14 lead smelters.

ANACONDA COPPER—Is Granted Another Hearing.—The U. S. Supreme Court ordered the reargument of appeals in proceedings brought by a minority of stockholders of the Alice Gold & Silver Mining Co., contesting near Butte, Mont., to the Anaconda Copper Mining Co. The date for argu- the sale of the company's properties ment has not been fixed.

BUTTE & SUPERIOR MINING—Quarterly Report—Production. — The company reports a depletion of 25% in developed ore reserves for the quarter ended September 30, due to a loss of a portion of deposits to the Elm Orlu Mining Co. On account of this loss development work will be pushed to gradually increase the amount of developed ore reserves to approximately the standard maintained in the past. Despite labor trouble caused by the strike of the Metal Tradesmen who refused to accept the $1-a-day increase offered by the company July 21, the tonnage or ore mined this quarter was greater than that of the previous quarter. There was also an increase in the total costs of ore mined and milled to $10.07, against $9.47 in the preceding quarter. An additional expense was the payment of $451,000 to Minerals Separation, Ltd., for infringement of the latter's oil flotation process patent, according to a report filed by the company in U. S. District Court at Butte, Mont. In November the company produced 11,500,000 lbs. zinc and 200,000 ozs. of silver, against 11,000,000 lbs. zinc and 210,000 ozs. silver in October. Due to the advancing price of spelter, the company's earnings are expected to show marked improvement. According to reports, net profits from operations should equal $4 a share on a price for spelter ¾c a lb. below that now obtaining. The advance in the price of silver should also help the company's earnings materially.

CERRO DE PASCO—Decrease in Production—Brighter Outlook for Future.—The company reports output for November, 1919, of 4,752,000 lbs. copper, against 5,652,000 lbs. in October, a decrease of more than 18%. The decrease in the amount of copper produced was no doubt due to the un-

settled labor condition which is gradually improving. With copper in fair demand, the market growing firmer from day to day, and improvement in the chaotic situation in the foreign exchange, the copper producing companies are approaching a long period of prosperity. A decidedly better tone is already beginning to make itself felt. While the price of the metal continues to rule at the 18½c level, both domestic and foreign demand are taking large quantities of copper. Sales running above normal are reported, with some substantial amounts going to Japan. Thus far there has been little copper taken by Germany, the "greatest copper manufacturing country in Europe," by direct transactions, but a large part of that which is sold to the Scandinavian countries, it is believed, is ultimately going to the Central Powers.

CHILE COPPER—Income Account.—For the quarter ended September 30, the company report surplus after charges of $45,114, equal to 1c per share ($25 par value), compared with a deficit of $513,597 in the preceding quarter, against a surplus of 71c a share in the quarter ended September 30, 1918. For the 9 months the total deficit after charges amounts to $1,129,252. The average price realized during the quarter was 18.87c per lb., compared with 15.93c for the preceding quarter. The cost of copper produced, including depreciation and general expense but excluding delivery and selling expense, taxes and depletion, was 10.68c per lb., compared with 12.69c for the quarter ended June 30, 1919.

EAST BUTTE COPPER MINING—Oil Operations.—The company's oil venture is progressing satisfactorily. On its property in Wyoming 3 wells have been brought in, with a daily capacity of 375 barrels. Under its arrangement with the Ohio Oil Co., the company was reimbursed for the money spent in acquiring this oil land and for all primary expenses, and receives royalty from the Ohio Co. of 48% of all net earnings from development of the tract. The company also reports considerable sales of copper during October and November at substantial profits, despite the receding price of the metal.

JEROME VERDE — Increase in Daily Shipments.—The company is shipping around 550 tons daily, compared with 300 in the preceding month. Average copper contents are well above 10%. The majority of ore now coming is from the rich lens opened recently in the hanging wall of the Main Top orebody, which runs from 15 to 30% in the red metal. In view of the active work being conducted at the company's property and the low price of the stock, at present obtainable at about $¾, Jerome Verde is one of the most attractive low priced coppers.

MAGMA COPPER—Future Production.—The company will produce close to 500,000 ozs. of silver in current

year and more than 9,000,000 lbs. of copper. With increased production it promises to become one of the leading silver producers of the country. The output has been kept down considerably on account of development work and the general policy of producers to keep down production. Development work now under way will permit an annual output of 15,000,000 lbs. of copper and at least 750,000 ozs. of silver. This will mean net earnings for the year, after dividends and all charges, of about $2.88 per share of the company's total outstanding stock of $1,200,000 of $5 par value, compared with about $2.16 per share in 1918. In view of this and of the fact that Magma is one of the lowest cost copper producers in the country, the company is in an unusually strong position, which will doubtless improve very markedly with the advancing prices of the metals, especially copper.

NATIONAL LEAD—Record Sales—Lead Market Strong.—The company's sales of white lead the last 6 months have been the largest in history, according to President Cornish's statement. The company will enter the new year with the smallest stocks in its history. Much painting and building was deferred by the war and it will require a long time to catch up. The price of white lead was recently increased to $10 a ton. Although higher prices could easily be obtained, the company regards it as a poor policy to do this. Since profits are being used to build up the business, the company does not consider any dividend increases. In view of the company's increase in gross sales, the better demand for its product and the improving tone of the market, the prospects of the company seem very excellent, and the stock, which is listed on the N. Y. Exchange, selling around 90, should within a short time show marked improvement.

NORTH BUTTE MINING—Prospects.—The company has recently reopened the Edith-May vein where it has a 20-foot face of over 6% copper ore. The increased production, as well as the recently effected reduction in costs (in November it was below 13c per lb.), will no doubt greatly add to the company's earning capacity. In October the amount of copper produced was 2,019,421 lbs., compared with 1,470,000 lbs. in September, an increase of about 40%.

POND CREEK—To Sell Coal Properties.—Negotiations are under way for the sale of the company's coal rights. The company is asking over $6,300,000, equal to over $30 a share on the total outstanding stock. The company will retain its oil rights on the 30,000 acres of leased land in Pike County, Ky. If the coal rights can be disposed of satisfactorily, the company will be free to undertake exploration of the rest of its property for oil. Of late the company's shares have been very strong, no doubt because of the favorable report rendered by the geologist who has been examining the property. In his opinion the prospects are sufficiently favorable to warrant the immediate drilling for oil. The company has already made contracts to sell 60% of its 1920 production at figures which guarantee the ability to earn and pay the present $1 dividend.

SHATTUCK-ARIZONA COPPER—Production.—The company produced in November, 1919, 238,969 lbs. copper, 697,783 lbs. lead, 2,182 ozs. silver and 29.84 ozs. gold, compared with the October output of 157,386 lbs. copper, 770,736 lbs. lead and 2.02 ozs. silver. The estimated gross earnings per share of the company's total outstanding stock of $3,500,000 (par value, $10) amounted to about 28c in November, compared with 24c in the preceding month.

OIL NOTES

ANGLO-PERSIAN OIL—Earnings and Expansion.—The company's report for the year ended March 31, 1919, shows a profit of $8,040,000, against $5,232,000 for the previous year, or an increase of more than 50%. To the increase in net earnings no doubt is due the advance in the rate of dividends from 8% in 1918 to 10% in 1919. In addition, a sum amounting to $4,800,000 was set aside for excess profits duty. The company is the principal competitor of Anglo-American as a distributor in England, and ⅔ of its ordinary capital is owned by the British Government. For further expansion in Persia and extension of its tank lines and facilities in England, the company announced a new issue of $75,000,000; half of the new capital is to be issued now, and debentures are being sold to yield 6⅛%, the preferred shares to yield 7⅛%.

CALIFORNIA PETROLEUM — Operations and Production.—The company has 6 wells drilling on its leases in the Yerba Linda district, 3 of which will be completed shortly. Location for 4 additional wells have been made. It is hoped that the bringing in of wells on the Yorba Linda property will increase the present annual production of about 3,500,000 barrels to more than 5,000,000, which means about $56 of gross earnings per share of the total outstanding stock. The strong financial position and the large amount of cash on hand add to the bright possibilities of the company.

GILLILAND OIL—Increase in Production.—The total net production of the company after deducting royalties is over 16,000 barrels a day. Earnings amount to $3,600,000 per annum, exclusive of depletion and depreciation. The company has brought in its second biggest well in the Homer field of Louisiana, which produces about 20,000 barrels a day; 5 other wells on the sand in this field are ready to be brought in shortly. After the new financing and additions, which will considerably increase the company's output, the net earnings per an-

num ought to equal about $4,500,000 or $50 per share of the preferred stock. To meet future requirements the company has issued $5,000,000 8% cumulative convertible preferred stock, at 99 and dividend, through Knauth, Naclod & Kuhne, Hallgarten & Co., and Dominick & Dominick. Subscribers to the preferred stock may subscribe for common stock to 40% of their preferred subscription, at $32 a share.

INTERNATIONAL OIL & GAS—Production and Earnings.—From the 12 producing wells in Pipe Island and Bull Bayon Fields of Louisiana, the company's settled daily production amounts to 1,000 barrels. Through the intended purchase of 250 additional acres in Hosston Field in Louisiana, the daily production will be increased to 1,300 barrels. The company has a sinking fund consisting of $400,000 first convertible 7% five year notes, which is a part of the authorized $1,000,000. The company has issued no financial statement, and has paid no dividends so far. The annual earnings are estimated at $562,140, or about 7c. per share of the outstanding $7,950,000, par value $1. The company has recently acquired around 100,000 shares of Simms Petroleum.

MAGMA OIL—Acquires New Interests.—The company has acquired the outstanding interest in the Haverhill Petroleum Company, giving it entire ownership in that concern. It has also brought in 3 new wells in the Northwest Extension Burkeburnett field, one at 1,500 barrels a day, another at 1,100, and the third at 800, bringing the producing wells of the company to 89.

MEXICAN EAGLE OIL—Subscription Privilege—Mexican Oil Controversy.—The company will announce a subscription privilege of one new share of common for each two shares now held. The new stock is to be offered at par, equal to about $5 American currency. The properties of the company, which was organized under the laws of Mexico in 1909, consist of ten concessions, expiring in 1955, under which it has the right to explore for oil in all national and vacant lands in the States of Vera Cruz, San Louis Potosi, Tamaulipas, Tabasco, Chiapas, and Campeche. The total area of private land acquired on long leases amounts to approximately 300,000 acres, in addition to which the company holds rights from the Federal and State governments. It also owns numerous installations throughout the Republic, including warehouses, tank steamers, narrow-gauge railroad and pipe lines; it also owns and operates a refinery at Tampico, which has an initial capacity of 12,500 barrels. The company has paid regular dividends on both common and preferred stock since 1911. In 1916 and 1917 extras of 8% and 12%, respectively, was paid on the preferred stock. The financial position of the company is very strong, its earning capacity excellent, yet doubt as to how the oil controversy will develop, which has loomed up as a big factor on the international horizon, renders it difficult to form a definite opinion as to investors' prospects.

MEXICAN PETROLEUM—Little Common Outstanding—Production and Earnings.—As a result of the recent exchange of the company's common stock into Pan-American Petroleum common, Class B, there is only a small amount of Mexican Petroleum common now outstanding. It suffered a pronounced break in the declining market, as was the case of practically all Mexican petroleum stocks, due to uncertainty of the oil situation. It was also reported that for the first time in the company's history water has come into one of its biggest wells, viz., Juan Casiano No. 7, which is showing over 3% salt water. This well was drilled in 1910 and struck oil at a depth of 2,100 ft. It has produced over 100,000,000 barrels of oil to date. Gross earnings of the company for 1919 will be approximately $20,000,000, and net from operations about $7,000,000. During the past year earnings of the company and of Pan-American Co. have been seriously cut into, because war conditions have prevailed in shipping and the market for fuel oil following the armistice was very irregular. With these obstacles removed, a probability of a favorable early settlement of the oil controversy, and chiefly in view of the company's plans to produce at the rate of over 40,000,000 barrels next year, or 10% of the world's oil supply, the profit for both Mexican Petroleum and Pan-American should be about $40,000,000 (figured as $1 a barrel) or $30.79 per share of the total outstanding common stock of the two companies.

MIDDLE STATES OIL—Strong Position.—The company will shortly declare a large stock dividend, ranging between 20 to 30%. The latter is the one most expected. On the present market value of the stock (around 60), an extra 30% disbursement would be equivalent to over $18 a share. The company has already paid three extra dividends this year, the last one being a 10% stock distribution last month. The company owns 51% of the Dominion Oil Company, which is drilling wells in the Louisiana field in the center of several productive wells. Earnings from subsidiary companies are said to be sufficient to take care of all Middle States regular dividend requirements. The company has brought in an additional gusher in the Texas fields and recently acquired another subsidiary, of which announcement is expected shortly and which will be capitalized at $4,000,000 and be controlled by Middle States. Since the company has no funded debt or preferred stock, the earnings are kept in the hands of stockholders.

OKLAHOMA PRODUCING & REFINING CORPORATION—Earnings Show Increase.—The net earnings of the company, which is a subsidiary of the Oklahoma Producing & Refining Company, for the 3rd quarter ended September 30, 1919, show a marked improvement compared with the preceding quarter, viz., $1,046,803, or 44c per share, against $878,915, or 13c per share for the quarter ended June 30. The total income for the 9 months ended September 30, amounted to $2,843,584, or $1.19 per share.

UNLISTED NOTES

FIRESTONE TIRE & RUBBER—Earnings.—The company did a gross business of $91,078,513 for the year ended October 31 last, compared with $75,801,506 in the corresponding period of 1918, an increase of 20%. Net profits after allowing for depreciation and accounts amounted to $9,306,978, of which $2,597,000 was paid out in dividends and the balance carried to surplus subject to accrued taxes. This amounts to $19.18 earned per share of the company's common stock, compared with $17.17 in 1918. Despite extensive improvements and additions to the plants, the company is still far behind on its orders and there is every reason to expect continued growth and prosperity during 1920. Sales next year are expected to reach $150,000,000. A special dividend of 2 per cent. has been declared, bringing the dividend payments this year up to 8 per cent. The next quarterly dividend in March, 1920, will be probably 2 per cent.

HUDSON MOTOR—Facilities Increased by Additions of New Plant.—A new $1,220,000 factory addition, to be devoted exclusively to the production of Essex cars, has been completed and is now in full operation. 40,000 Essex cars will be built in 1920, just double the number turned out this year. The Essex engines will continue to be built in the Hudson factory, but the production lines have been moved into the new building to provide the necessary room for expansion. Combining facilities of scientific engineering with many exclusive and advanced methods to assure maximum efficiency and fine workmanship, the new factory contains approximately 160,000 square feet of manufacturing space. Provision has been made for future expansion by the addition of three more stories.

This addition was made necessary by the constantly increasing demand for Essex cars which were brought out to fill the need for a light car of quality possessing the beauty, power and performance of more costly cars, but without their high upkeep expense, thus filling a real transportation need. The Hudson Motor Car Company of New York, Inc., will have a large percentage of this new output to sell and plans are already on foot to handle the tremendous volume of new business in this section. The company's net surplus for the past year amounted to $690,959, or $3.52 per share of total outstanding common stock of $10 par value.

Important Dividend Announcements

To obtain a dividend directly from a company, the stock must be transferred into the owner's name before the date of the closing of the company's books.

Ann. Rate	Name	Amt. Declared	Stock of Record Paid to	Payable Div.
$4	Ahmeek Mining....	$1 Q	12-18	12-31
7%	Allis-Chalmers, p...	1¾%Q	12-31	1-15
.....	Allis-Chalms,-p ext.m	1¾%	12-31	1-15
6%	Am Agric Chem, p.	1½%Q	12-22	1-15
8%	Am Agric Chem, c.	2 %Q	12-22	1-15
$3	Am Bank Note, p..	75c Q	12-15	1- 2
6%	Am Beet Sugar, p..	1½%Q	12-13	12-21
8%	Am Beet Sugar, c..	2 %Q	1-10	1-31
$8	Am Bosch Magn...	$2 Q	12-15	1- 1
7%	Amer Car & Fdy, p.	1¾%Q	12-15	1- 1
12%	Amer Car & Fdy, c	3 %Q	12-50	1- 2
6%	Amer Chicle, p.....	1½%Q	12-20	1- 2
6%	Amer Express	1½%Q	11-29	1- 2
10%	Amer Gas & Elec, c.	2½%Q	12-15	1- 2
....	Am Gas & E, c ext.e	2½%	12-15	1- 2
7%	Am Hide &Leath p.	1¾%Q	12-13	1- 2
$6	Amer Int'l Corp, p.	$1.50 Q	12-16	12-31
$6	Amer Int'l Corp, p.	$1.50 Q	12-16	12-31
7%	Amer Linseed, p...	1¾%Q	12-15	1- 2
7%	Amer Locomotive, p.	1¾%Q	12-13	12-31
6%	Amer Locomotive, c.	1½%Q	12-13	12-31
6%	Amer Smelt Sc, p A.	1½%Q	12-12	1- 2
5%	Amer Smelt Sc, p B.	1¼%Q	12-13	1- 2
6%	Amer Snuff, p......	1½%Q	12-13	1- 2
8%	Amer Snuff, c......	2 %Q	12-13	1- 2
7%	Amer Steel Fds, p..	1¾%Q	12-15	12-31
$3	Amer Steel Fds, c.	75c Q	1- 2	1-15
....	Amer Steel F, ex xx	1¼%	12-14	12-31
7%	Am Sugar Refin, p.	1¾%Q	12- 1	1- 2
7%	Am Sugar Refin, c..	1¾%Q	12- 1	1- 2
....	Am Sugar Ref, c ext	¾%Q	12- 1	1- 2
8%	Amer Tel & Tel.....	2 %	12-20	1-15
6%	Amer Tobacco, p...	1½%Q	12-13	1- 2
7%	Amer Woolen, p....	1¾%Q	12-16	1-15
7%	Amer Woolen, c...	1¾%Q	12-16	1-15
7%	Armour & Co, p...	1¾%Q	12-15	1- 1
6%	Associated Oil	1½%Q	12-26	1-15
7%	Atlantic C L R R, c.	3½%S	12-19	1-10
5%	At, Gf & W I S S,p.	1¼%Q	12-10	1- 2
7%	Atlan Sugar Ref, p.	1¾%Q	12-12	1- 2
....	At Sug Ref, p ext.m	1¾%	12-12	1- 2
7%	Baldwin Loco, p....	3½%S	12- 6	1- 1
....	Baldwin Loco, c....	3½%	12- 6	1- 1
7%	Baltimore Tube, p.	1¾%Q	12-20	1- 2
7%	Barrett Co, p......	1¾%Q	12-30	1-15
8%	Barrett Co, c.....	2 %Q	12-18	1- 2
8%	Barrett Co, c......	2 %Q	12-19	1- 2
....	Barrett Co, c ext..	1 %	12-21	1- 2
8%	Beth Steel, 8 % p.	2 %Q	12-15	1- 2
7%	Beth Steel, 7% p.	1¾%Q	12-15	1- 2
5%	Beth Steel, c A....	1¼%Q	12-15	1- 2
5%	Beth Steel, c B....	1¼%Q	12-15	1- 2
7%	Booth Fisheries, p.	1¾%Q	12-13	1- 2
$7	Cal Packing, p.....	1.75 Q	12-15	1- 2
7%	Cal Pete, p........	1¾%Q	12-20	1- 1
$20	Calumet & Hecla...	$5 Q	12- 6	12-31
$29	Calumet & Hecla...	$5 Q	12- 6	12-31
....	Can Westingh, ext.	2 %	12-20	1- 1
7%	Case Threhr Ma, p.	1¾%Q	12-15	1- 2
....	Case Thres M c.xx	7 %	1-13	1-28
7%	Cent Leather, p...	1¾%Q	12-10	1- 2
....	C RR of N J ext.ss	2 %	12-26	12-30
8%	Chandler Motor...a	2 %Q	12-15	1- 2
4%	Chesa & Ohio....ss	2 S	12- 5	12-31
8%	Chic, Burl & Qu.ss	2 %Q	12-19	12-26
4%	Ch, In & Lou p.cc	2 %S	12-27	12-31
8%	Chi & Northw, p.cc	2 %Q	12- 9	1- 2
7%	Chi & Northw, c.ss	1¾%Q	12- 9	1- 2
4%	Chi Ry Equip...de	2¾%Q	12-21	12-31
7%	C, R I & P, 7% p.ss	3½%S	12-17	12-31
6%	C, R I & P, 6% p.ss	3 %S	12-17	12-31
8%	Chicago Telephone.	2 %Q	12-30	12-31
$3	Chino Copper......	75c Q	12-12	12-31
....	Cit Ser, c bkrs sh.gg	46.1c	12-15	1- 2
5%	C, C, C & St L p.ss	1¼%Q	12-30	1-20
7%	Cluett, Peabody, p.	1¾%Q	12-20	1- 1
4%	Comput-Tab-Record	1 %Q	12-24	1-10
8%	Con Gas, E, L & P	2 %Q	12-15	1- 2
7%	Continental Can, p.	1¾%Q	12-20	1- 1
7%	Continental Can, c.	1¾%Q	12-20	1- 1
$1	Continen Candy...	a25c Q	12-29	1-20
12%	Crucible Steel, c...	3 %Q	1-15	1-31
7%	Cuba Can sugar, p.	1¾%Q	12-15	1- 2
7%	Cuban Am Sug, p..	1¾%Q	12-15	1- 2
10%	Cuban Am Sug, c..	2½%Q	12-15	1- 2
6%	Dayton P & Lt, p.	1½%Q	12-20	1- 2
8%	Detroit Edison.....	2 %Q	12-31	1-15
5%	Detroit & Macin, p.	2½%S	12-13	1- 2
7%	Dodge Mfg, p.....	1¾%Q	12-19	1- 1
6%	Dodge Mfg, c.....	1½%Q	12-17	1- 1
....	Dodge Mfg, c. ext.	1 %	12-17	1- 1
7%	Dominion Can, p...	1¾%Q	12-20	1- 2
7%	Dom Iron & Stl, p.	1¾%Q	12-13	1- 1
6%	Dominion Steel, p.	1½%Q	12-13	1- 1
6%	Dominion Steel, c..	1½%Q	12- 5	1- 1
10%	Eastern Steel, c..xx	2½%Q	1- 2	1-15
10%	Eastman Kodak, c..	2½%Q	11-29	1- 2
.....	East Kodak, c ext..	7½%	11-29	1- 2
7%	Edmunds & Jones, p	1¾%Q	12-20	1- 1
$2	Edmunds & Jones, c.	50c Q	12-20	1- 1
7%	Eisenlohr (O) & Brs. p	1¾%Q	12-20	1- 2
10%	Elec Stor Bat, p...	2½%Q	12-15	1- 2
10%	Elec Stor Bat, c...	2½%Q	12-15	1- 2
7%	Endicott-Johnson, p.	1¾%Q	12-15	1- 1
10%	Endicott-Johnson, c.	2½%Q	12-15	1- 1
.....	Endi-Johnson, c ext	2 %	12-15	1- 1
8%	Gen Electric	2 %Q	12- 6	1-15
.....	Gen Electric, ext..x	2 %	12- 6	1-15
7%	Goodrich (BF,) p..	1¾%Q	12-20	1- 1
$5	Guantanamo Sugar.	$1.25 Q	12-17	1- 2
7%	Gulf Sts Stl, 1st p.	1¾%Q	12-15	1- 2
6%	Gulf Sts Stl, 2nd p	1½%Q	12-15	1- 2
$4	Haskell Barker Car.	$1 Q	12-15	1- 2
7%	Helme (G W), p...	1¾%Q	12-13	1- 2
10%	Helme (G W), c...	2½%Q	12-13	1- 2
.....	Helme (GW), c ext	4 %	12-13	1- 2
7%	Hendee Mfg., p...	1¾%Q	12-20	1- 2
6%	Ingersoll-Rand, p...	3 %S	12-13	1- 2
4%	Inter Buttonh Mch.	1 %Q	12-15	1- 2
6%	Inter Harvester, c..	1½%Q	12-24	1-15
6%	Interna. Salt	1½%Q	12-15	1- 1
7%	Internat'l Silver, p.	1¾%Q	12-15	1- 1
$4	Island Crk Coal, c.	$1 Q	12-26	1- 2
$1.20	Mid States Oil....	10c M	12-20	1- 2
7%	Montana Power, p..	1¾%Q	12-13	1- 2
3%	Montana Power, c.	¾%Q	12-13	1- 2
7%	Natl Ani & Chem, p	1¾%Q	12-15	1- 2
.....	Na Ani. & C, p ext.m	3½%	12-20	1-15
7%	Natl Biscuit, c.....	1¾%Q	12-30	1-15
7%	Natl En & Stamp, p	1¾%Q	12-11	12-31
5%	Nat'l Lead, c......	1¼%Q	12-12	12-31
7%	Nat'l Sugar Refin..	1¾%Q	12- 8	1- 2
$1.50	Nevada Cons Cop..	37½c Q	12-12	12-31
$1	Nipissing Mns.....	25c Q	12-31	1-20
.....	Nipissing Mns, ext.	25c	12-31	1-22
5%	North Am Co......	1¼%Q	12-15	1- 2
$4	North'n Central....	$2 S	12-31	1-15
$10	North'n Pipe Line..	$5 S	12-13	1- 2
$5	Ohio Oil..........	$1.25 Q	11-29	12-31
.....	Ohio Oil, ext......	$4.75	11-29	12-31
7%	Pan Am Pt & Tr, p	1¾%Q	12-13	1- 2
12%	Pan Am P & T, c "B"	a3 %Q	12-13	1-10
7%	Pettibn Mull, 1st p.	1¾%Q	12-20	1- 2
7%	Pettibn Mull, 2nd p	1¾%Q	12-20	1- 2
10%	Phelps Dodge......	2½%Q	12-22	1- 2
.....	Phelps Ddge, ext.kk	5½%	12-20	1- 2
8%	Pierce Ar Mot, p....	2%Q	12-15	1- 1
8%	Pierce Oil, p.......	a2 %Q	12-20	1- 1
7%	Pitts, Ft Wayne & C, p	ss1¾Q	12-10	1- 6
7%	Pitts, Ft Wayne & C, c..............	ss1¾Q	12-10	1- 2
....	P, Ft W & C, p.ext.	ss5¾%	12-10	1- 6
....	P, Ft W & C, c ext.	ss5¾%	12-10	1- 2
8%	Pitts Plate Glass, c.	2 %Q	12-16	12-31
$1	Pond Crk Coal Co.	25c Q	12-26	1- 2
7%	Porto Rico Ry, p.	1¾%		
12%	Prairie Oil & Gas..	3 %Q	12-31	1-31
.....	Prairie Oil & Gas, ext.	7 %	12-31	1-31
12%	Prairie Pipe Line..	3 %Q	12-31	1-31
8%	Proc & Gam, 8% p.	2 %Q	12-24	1-15
8%	Pub Serv of N J, p	2 %Q	12-20	12-31
8%	Ry Stl Spring, c...	2 %Q	12-17	12-31
$2	Ray Con. Cop......	50c Q	12-12	12-31
$2	Reading Coal 2d p.	50c Q	12-23	1- 8
6%	Southern Pacific..ss	1½%Q	11-29	1- 2
5%	Southern Ry, p....	2½%S	12-23	12-31
7%	Tob. Prod, p	1¾%Q	12-19	1- 2
....	Tob. Prd. c ext...e	10 %	1- 2	1-15
20%	Tonopah Belmont...	5 %Q	12-15	1- 1
6%	Tri-City Ry & Lt, p..	1½%Q	12-20	1- 2
$3	Union Traction ..	$1.50 S	12-10	1- 1
....	Utd Cg St of Am, p.	6 %Q	12-15	1- 2
7%	United Drug, c.....	1¾%Q	12-15	1- 2
....	United Drug, c ext..	1 %	12-16	1- 2
$6	Utah Copper	$1.50 Q	12-12	12-31
7%	Vulcan Detinning, p.	1¾%Q	1-10	1-20
....	Vul Detinn, p ext m	1 %	1-10	1-20
$4	West End St Ry, p.	$2 S	12-20	1- 2
7%	Western Union Tel..	1¾%Q	12-20	1-15
$7	Westinghpuse A B.	$1.75 Q	12-31	1-31
7%	Willys-Overland, p ..	1¾%Q	12-22	1- 1
7%	Wilson & Co, p	1¾%Q	12-23	1- 2
$2	Wolverine Copper M..	50c Q	12- 6	1- 2
7%	Woolworth (F W), p.	1¾%Q	12-10	1- 2
7%	Worth P & M, p A..	1¾%Q	12-20	1- 1
6%	Worth P & M, p B..	1½%Q	12-20	1- 1
10%	Yale & Towne....	2½%Q	12-15	1- 2
$2.50	York Rys, p......	62½c Q	1-21	1-31
$4	Yukon Alaska Trust.	$1 Q	12- 5	12-31

a—Initial dividend.

de—2¾% payable Dec. 31, 1919, in order to bring payments for 1919 up to 8%. Subsequent dividends will be at the rate of 8% per annum.

e—Payable in common stock.

gg—Includes regular monthly ½% cash dividends and cash proceeds from sale of stock dividends due on Bankers Shares.

m—On account of accumulated dividends.

ss—Subject to the approval of the Director General of Railroads. N. Y. Stock Exchange ruled stock does not sell ex-div on stock of record date.

x—Declared payable in stock.

xx—Payable in Liberty Loan Bonds.